

ANNUAL REPORT

December 31, 2016

(This is a translation of a document originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.)

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DIRECTORS' REPORT

December 31, 2016



To the Shareholders

Pursuant to the legal requirements, the Board of Directors of Cofina, S.G.P.S., S.A. (Public Company) hereby presents its Director's Report for the year 2016. According to number 6 of article 508 - C of the Commercial Companies Code, the Board of Directors decided to submit a single Board of Directors' Report, fulfilling all legal requirements.

INTRODUCTION

The agencies' advertising market has maintained the trend started in the last quarter of 2013, with another growth in comparison to the previous year.

However, the press segment has been the only segment that has recorded a decrease, corresponding to 18%, when compared to 2015.

For 2017, a moderate growth of the advertising investment is expected, based on the anticipated increase in private consumption. However, it is very difficult to predict the size and consistency of that trend.

In terms of market share, the Group continued to maintain the leadership of its main products.

MACROECONOMIC BACKGROUND

During 2016, the world economy exhibited some signs of recovery in the second half of the year, with a moderate economic growth (3.1%, according to IMF).

USA's economy has recorded a lower economic growth when compared to 2015, having been affected by the decrease of oil prices in the first half of 2016.

Euro Zone recorded an economic growth of 1.7%, slowing down in comparison to 2015. This evolution was sustained on the accommodative monetary policy of ECB, on the price decreases of energetic inputs and on a less restrictive tax policy. Unemployment rates have, equally, decreased during the year. In what refers to the inflation rate, it is estimated a marginal growth compared to the previous year.

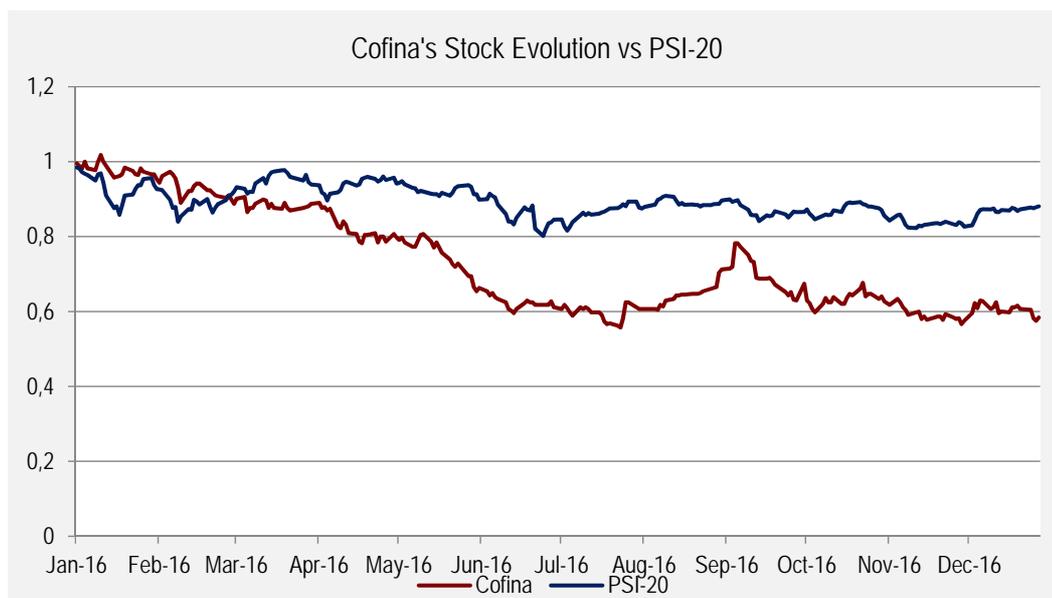
Portuguese economy, on its turn, in 2016 continued to grow, by the third consecutive year, after three years of economic contraction, between 2011 and 2013. The estimated growth points to 1.2%, still less than the one recorded in 2015. The deceleration of economic growth was higher in the first half of 2016, as a consequence of the exports performance. The investment also contributed to this deceleration, as a result of the decisions of political authorities in terms of public investment.

The public accounts consolidation effort continued in 2016 and a reduction close to levels next to 2.4% is estimated. Unemployment continued to decrease, maintaining the trend started in 2013.

STOCK EXCHANGE EVOLUTION

(Note: in order to enable a better comparison of the stock fluctuations, the PSI 20 index has been considered as being equal in value to the opening price of the shares in question.)

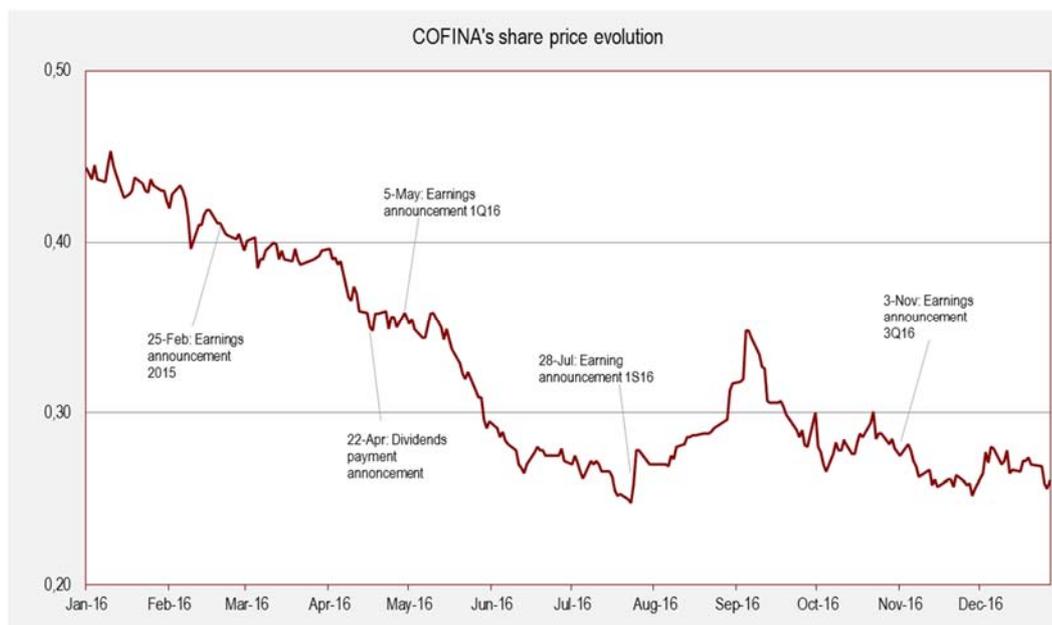
In 2016, the national stock exchange index (PSI-20) depreciated approximately 11.9% compared to the end of 2015. Cofina's shares, depreciated 41.6% in the same period.



At the end of 2016, Cofina's shares closed at 0.26 Euro per share, which corresponds to a market capitalization of 26.7 million Euro.

In 2016, Cofina's shares were traded at a maximum price of 0.453 Euro and at a minimum price of 0.248 Euro. A total of 13,070,925 shares were traded, equivalent to 12.74% of the issued capital.

The main events that marked the evolution of Cofina's share price during 2016 can be described as follows:



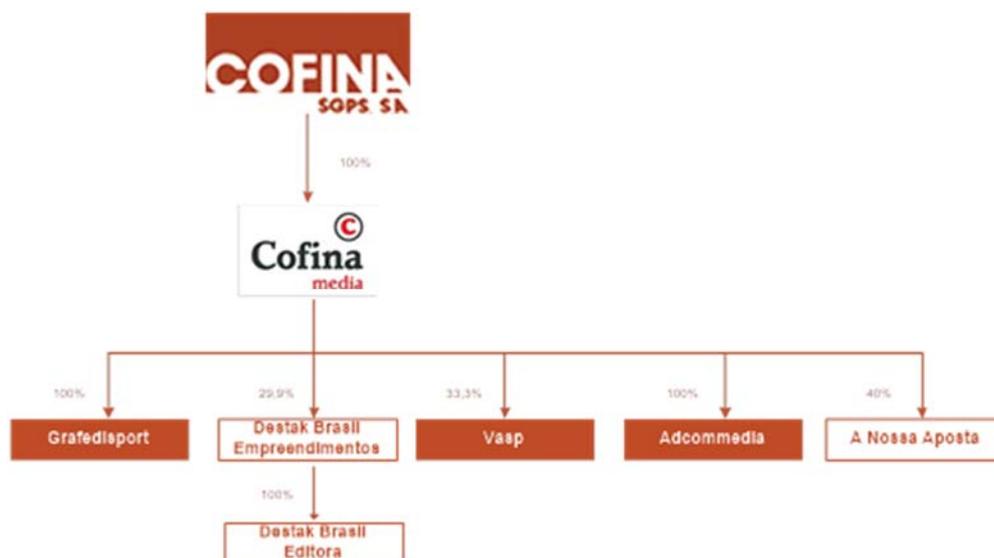
- In the announcement regarding the Group's performance in the financial year 2015, released on February 25, 2016, Cofina presented a consolidated net profit of 5 million Euro. Operating revenues decreased by about 5.1%, reaching an amount of 100.7 million Euro and EBITDA (earnings before interests, taxes, depreciation and amortization) amounted to 15 million Euro. On that day, Cofina's shares closed at 0.405 Euro per share;
- In the announcement released on April 22, Cofina informed the market that the dividends relating to the 2015 financial year, corresponding to 0.015 Euro per share, would be paid as from May 11.
- On 5 May 2016, in the announcement concerning the presentation of the financial statements for the first quarter of 2016, Cofina, SGPS, S.A. disclosed an operating income of 22.6 million Euro, with the EBITDA amounting to 2.9 million Euro, while the net profit amounted to 1 million Euro (the same value of the homologous period in 2015);
- On July 28, 2016 the Group announced to the market the results of the first half of 2016, with an EBITDA of 6.4 million Euro and an EBITDA margin of 13.3%. Net profit amounted to 2.3 million Euro and the net debt to 58.6 million Euro.
- In the announcement of 3 November 2016, the Group presented the results for the third quarter of 2016. EBITDA amounted to 10 million Euro and net income stood at 3.5 million Euro.

GROUP'S ACTIVITY

Cofina Group's activity is mainly focused in the media and content sector.

The key company in this business area is Cofina Media, S.A., owner of the leading publications in each respective segment. In the Group's publications portfolio the daily newspaper "Correio da Manhã", the daily sports newspaper "Record", the daily economic newspaper "Jornal de Negócios", the free newspaper "Destak" and the weekly newsmagazine "Sábado", as well as other headings, such as "TV Guia", should be highlighted. Additionally, since the financial year of 2013, Cofina Group has incorporated in its operations' portfolio the TV channel "CMTV".

Thus, Cofina Group's complete structure of participations as of 31 December 2016 is as follows:



According to the data provided by APCT ("Associação Portuguesa para o Controlo de Tiragem e Circulação") for 2016, "Correio da Manhã" is the most sold newspaper in Portugal, with an average of more than 98 thousand copies sold daily. According to the data provided by this certifying entity, "Correio da Manhã" has a market share of 50% (regarding the daily paid generic newspapers segment). It should be noted that "Correio da Manhã" has strengthened its leadership, year after year, despite the generalized decline in paid circulation on all titles in its segment.

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I. Directors' Report

FINANCIAL REVIEW

The consolidated financial information of Cofina for the year 2016 was prepared in accordance with the recognition and measurement principles defined by the International Financial Reporting Standards as adopted by the European Union, and may be summarized as follows:

| (amounts in thousand of Euro) | 2016 | 2015 | Var (%) 2016/2015 |
|--|---------------|----------------|----------------------|
| Consolidated operating revenue | 99,926 | 100,676 | -0.7% |
| Circulation | 51,138 | 52,848 | -3.2% |
| Advertising | 32,965 | 33,802 | -2.5% |
| Alternative marketing products and others | 15,823 | 14,026 | 12.8% |
| Operating Expenses (a) | 86,414 | 85,636 | 0.9% |
| Consolidated EBITDA (b) | 13,512 | 15,040 | -10.2% |
| EBITDA Margin | 13.5% | 14.9% | -1.4 p.p. |
| Amortisation and depreciation (-) | 2,214 | 2,892 | -23.4% |
| EBIT | 11,298 | 12,148 | -7.0% |
| EBIT Margin | 11.3% | 12.1% | -0.8 pp |
| Net financial income / (loss) | (5,202) | (3,771) | 37.9% |
| Income before taxes and non-controlling interests | 6,096 | 8,377 | -27.2% |
| Income taxes (-) | 1,763 | 3,316 | -46.8% |
| Net consolidated profit / (loss) (c) | 4,333 | 5,061 | -14.4% |

(a) Operating expenses excluding amortisation

(b) EBITDA = Earnings before interest, taxes, depreciation and amortisation

(c) Net Profit / (Loss) attributable to the parent company shareholders

The 2016 financial year was characterized by a decrease in total revenue compared to the previous year (-0.7%), with a reduction in circulation revenue (-3%) and advertising revenue (-2.5%). Alternative marketing products and other revenues recorded an increase of 12.8%, having reached 15.8 million Euros.

EBITDA recorded in this period was about 13.5 million Euros, which represents a decrease of about 10%, compared to the previous year.

The consolidated net profit reached 4.3 million Euros, resulting in a decrease of 14%, compared with 2015.

As of 31 December 2016, the nominal net debt of Cofina was 57.6 million Euros, which represents a decrease of 2.2 million Euros in relation to the nominal net debt recorded in the end of 2015.

Free cash flow to equity generated by Cofina in 2016 reached about 3.7 million Euros, resulting in a free cash flow yield (vis-à-vis the market capitalization as of 31 December 2016) of about 14%.

It should be noted that, during the 2016 financial year, Cofina paid an extraordinary income tax, in the amount of 3.6 million Euros. Excluding this effect, free cash flow to equity generated by Cofina would reach about 7.3 million Euros.

Some indicators of the main business segments are as follows:

Newspapers:

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| (amounts in thousand of Euro) | 2016 | 2015 | Var (%) 2016/2015 |
|---|---------------|---------------|----------------------|
| Consolidated operating revenue | 82,355 | 81,345 | 1.2% |
| Circulation | 41,538 | 42,350 | -1.9% |
| Advertising | 27,048 | 27,284 | -0.9% |
| Alternative marketing products and others | 13,769 | 11,711 | 17.6% |
| Operating Expenses (a) | 68,275 | 66,072 | 3.3% |
| Consolidated EBITDA (b) | 14,080 | 15,273 | -7.8% |
| EBITDA Margin | 17.1% | 18.8% | -1.7 p.p. |

(a) Operating expenses excluding amortisation

(b) EBITDA = Earnings before interest, taxes, depreciation and amortisation

In 2016, Cofina's newspapers' segment recorded total revenues of about 82.4 million Euros, an increase of about 1.2% compared with the previous year.

Circulation revenues recorded a decrease of about 1.9%. Advertising revenues recorded a decrease of 0.9%. Alternative marketing products revenues recorded an increase of 18%, reaching 13.8 million Euros.

Therefore, the newspaper segment's EBITDA amounted to 14.1 million Euros, a decrease of 8% in comparison to the previous year. EBITDA margin reached 17.1%.

The newspapers' segment includes the results of the television channel "Correio da Manhã TV", which has recorded a remarkable performance. In 2016 – and it should be noted that the channel was only available in the platform "NOS" since February – the annual average share of CM TV reached 2% (0.8% in the previous year).

During 2017, the extension of the CM TV presence in other cable platforms will be negotiated.

Magazines:

| (amounts in thousand of Euro) | 2016 | 2015 | Var (%) 2016/2015 |
|---|---------------|---------------|----------------------|
| Consolidated operating revenue | 17,571 | 19,331 | -9.1% |
| Circulation | 9,600 | 10,498 | -8.6% |
| Advertising | 5,917 | 6,518 | -9.2% |
| Alternative marketing products and others | 2,054 | 2,315 | -11.3% |
| Operating Expenses (a) | 18,139 | 19,564 | -7.3% |
| Consolidated EBITDA (b) | -568 | -233 | - |
| EBITDA Margin | -3.2% | -1.2% | - |

(a) Operating expenses excluding amortisation

(b) EBITDA = Earnings before interest, taxes, depreciation and amortisation

In 2016, total revenues in this segment amounted to 17.6 million Euros, reflecting a decrease of about 9%, compared to 2015.

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I. Directors' Report

Circulation revenue fell 8.6% to 9.6 million Euros, while advertising decreased 9%. Similarly, revenues associated with alternative marketing products decreased about 11%.

The magazines segment's EBITDA recorded in 2016 amounted to -568 thousand Euros.

ACTIVITY DEVELOPED BY THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

During 2016, the non-executive directors of the Company have developed regularly and effectively their functions which consist in monitoring and evaluating the activities of the executive directors.

In 2016, as in prior years, the non-executive directors regularly and actively attended the Board of Directors meetings, discussing the matters under consideration and expressing their respective opinions on the Group's strategic guidelines and business areas. Whenever necessary, they maintained a close contact with the financial and operational key staff of the Group companies. In 2016, and during the Board of Directors' meetings, the executive members provided all the information required by the remaining non-executive members of the Board of Directors.

2017 OUTLOOK

The year 2017, from an operations point of view, will be characterized by the same trends of the previous years. In fact, there is an accelerated structural change in the Media's panorama.

In this sense, Cofina has been developing a cost reduction plan focused in the most affected areas by this transformation, which will have a stronger application in 2017.

Cofina will develop its operating efficiency policy, in order to face the extremely adverse market conditions. At the same time, Cofina will invest resources in growing areas, such as digital and TV.

PROPOSALS OF THE BOARD OF DIRECTORS FOR APPROPRIATION OF THE NON CONSOLIDATED NET PROFIT FOR THE YEAR

Cofina, S.G.P.S., S.A., as holding company of the Group, has recorded in its individual financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, a net profit of 1,320,920.73 Euro, for which, in accordance with the applicable legislation and the Company's articles of association, the Board of Directors proposes to the Shareholders General Meeting the following application:

Free reserves

1,320,920.73
=====

CORPORATE GOVERNANCE REPORT

December 31, 2016



CORPORATE GOVERNANCE

PART I – INFORMATION ON SHAREHOLDER, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. The capital structure

Cofina, SGPS, S.A. ("Company" or "Cofina") share capital amounts to 25,641,459.00 Euro, fully subscribed and paid, is made up of 102,565,836 ordinary, registered and bearer shares without nominal value.

Of the total issued voting rights, 76.83% are, as far as the Company is aware, attributed to the holders of qualifying holdings listed in II.7.

All the shares representing the share capital are admitted to negotiation on the regulated market Euronext Lisbon.

2. Restrictions on the transfer and ownership of shares

Cofina's shares have no restrictions on their transfer or on their ownership since there are no shareholders owning special rights. Therefore, Cofina's shares are freely transferable in accordance with applicable legal standards.

3. Own shares

Cofina does not hold any own shares, with reference to December 31, 2016.

4. Important agreements to which the company is a party and that come into effect amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects

There are no significant agreements concluded by Cofina that may include any clauses of control change (including after a takeover bid), that is, which will come into effect, be amended or terminated in such circumstances. Also, there are no specific conditions that limit the exercise of voting rights by shareholders of the Company or other matters that may interfere with the success of takeover bids.

Some financing agreements contain standard clauses of early repayment in the event of change of shareholder control of subsidiaries (and not of the Company). The Company believes that its disclosure would be harmful, while not adding any benefit to shareholders and considers that these ownership clauses, common in this type of contract, do not have a view to the adoption of any guarantee or shielding measures in cases of change of control or change in management body composition.

5. System that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder

individually or together with other shareholders

Cofina didn't adopt any countermeasures.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights

It is unknown the existence of any shareholders' agreements involving the Company.

II. Shareholdings and bonds held

7. Qualifying holdings

As of 31 December 2016, pursuant to the requirements of articles 16 and 20 of the Securities Code ("Código de Valores Mobiliários") and article 448 of the Portuguese Companies Act, the Company informs that, in accordance with the notifications received, the companies and/or individuals that hold qualifying holdings exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, in accordance with notifications received, are as follows:

| | | | |
|---|---------------------------|--|---|
| Santander Asset Management | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through Santander Ações Portugal Fund | | 2,069,459 | 2.02% |
| Through Santander PPA Fund | | 107,964 | 0.11% |
| | Total attributable | 2,177,423 | 2.12% |
| GNB - International Management, S.A. | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through NB Portugal Equity Fund | | 2,096,227 | 2.04% |
| Through NB Iberian Equity Fund | | 101,187 | 0.10% |
| | Total attributable | 2,197,414 | 2.14% |
| Credit Suisse Group AG | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Directly | | 5,039,060 | 4.91% |
| | Total attributable | 5,039,060 | 4.91% |
| Pedro Miguel Matos Borges de Oliveira | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Directly | | 7,719,360 | 7.53% |
| | Total attributable | 7,719,360 | 7.53% |
| Domingos José Vieira de Matos | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through Livrefluxo - SGPS, S.A. (of which is dominant sharehold and director) | | 12,395,257 | 12.09% |
| | Total attributable | 12,395,257 | 12.09% |
| Paulo Jorge dos Santos Fernandes | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through Actium Capital - SGPS, S.A. (of which is dominant sharehold and director) | | 13,386,332 | 13.05% |
| | Total attributable | 13,386,332 | 13.05% |
| João Manuel Matos Borges de Oliveira | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through INDAZ, S.A. (of which is director) | | 15,400,000 | 15.01% |
| | Total attributable | 15,400,000 | 15.01% |
| Ana Rebelo Carvalho Menéres de Mendonça | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through PROMENDO - SGPS, S.A. (of which is dominant sharehold and director) | | 20,488,760 | 19.98% |
| | Total attributable | 20,488,760 | 19.98% |

Cofina was not informed of any participation exceeding 20% of the voting rights.

8. *Number of shares and bonds held by members of the management and supervisory boards, under the terms of 447/5 of the Portuguese Companies Act*

The shares and bonds held by members of management and supervisory bodies in the Company and in companies in a control or group relationship with the Company, directly or through related persons, are disclosed in the appendices to the Management Report as required by Article 447 of the Companies Code (CSC) and number 7 of Article 14 of Regulation 5/2008 of the Portuguese Securities Market Commission (CMVM).

9. *Special powers of the Board of Directors, especially as regards resolutions on the capital increase*

The Company's articles of association assign to the Board of Directors wide powers for the management and representation of the Company and to carry out all operations related to its corporate purposes.

By resolution of the Shareholders General Meeting held on April 24, 2014, the power to increase the share capital on one or more occasions up to the limit of 51,282,918 by new cash contributions was conferred to the Board of Directors, since this deliberation is approved by the favourable vote of all its members and after obtaining the prior opinion of the Company's supervisory board.

This power granted to the Board of Directors shall run for the same period as the current mandate of the governing bodies (2014/2016), so shall expire at the end of 2016.

10. *Significant business relationships between the holders of qualifying holdings and the Company*

In the year 2016 no significant business or commercial transactions between the Company and the qualified shareholders notified to the Company occurred, except for those that, being part of the normal activity were performed under normal market conditions for similar transactions. It should be noted, however, that the amounts involved are not material.

B. CORPORATE BOARDS ANDE COMMITTEES

I. GENERAL MEETING

a) Composition of the Presiding Board of the General Meeting

11. *Details and position of the members of the Presiding Board of the General Meeting and respective term of office*

As of December 31, 2016, the Presiding Board of the General Meeting was composed of the following members:

Chairman: José Francisco Pais da Costa Leite

Secretary: Cláudia Alexandra Gonçalves dos Santos Dias

The mandate began in 2014 and ended in 2016.

b) Exercising the right to vote

12. Restrictions on voting rights

The share capital of the Company is fully represented by a single class of shares, corresponding one vote to each share, with no statutory limitations on the number of votes that may be held or exercised by any shareholder.

The Company has not issued preferred shares without voting rights.

The participation of shareholders at the General Meeting is dependent, under the law, upon proof of ownership of the shares by reference to the "Record Date".

Individual shareholders with voting rights and companies who are shareholders of the Company may be represented by the person designated for that purpose. The representation should be communicated to the Chairman of the General Meeting, in writing, until the end of the third working day prior to the day scheduled for the meeting.

A shareholder may, in the legal terms applicable, appoint different representatives for the shares owned in different securities accounts, without prejudice to the unity of vote principle and of vote in different directions allowed to shareholders acting as professionals.

Shareholders can exercise voting rights by mail, voting on all matters subject to the General Meeting which may be exercised by written declaration, together with the identification of the shareholder and his signature duly recognized, as required by law. According to the articles of association, the declaration of intention to cast postal votes and the supporting document proving the quality of shareholder must be delivered in the Company's headquarters, until the end of the third working day prior to the day scheduled for the meeting, with identification of the sender, addressed to the Chairman of the General Shareholders' Meeting. The possibility to exercise voting rights by electronic means is not provided. In that regard, the Company has not yet triggered the mechanisms required for its implementation since this modality was never requested by any shareholder and considering that this circumstance does not constitute any constraint or restriction on the exercise of voting rights by shareholders, right that the Company promotes and incentives in the terms widely described in this report.

The Company discloses, within the legal time limits, and in all places requested by law, in Portuguese and English, the notice of General Meetings, which contains information on how to enable the shareholders to participate and exercise the right to vote and on procedures to be followed for voting by correspondence or designated representatives. The Company discloses yet, as required by law, the resolution proposals, preparatory information required by law and the minutes of letter of representation and voting forms for voting by mail, all to ensure, promote and encourage shareholder participation, by them or representatives designated by them, in the General Meetings.

13. Maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1

There is no limitation on the number of votes that can be held or exercised by a single shareholder or group of shareholders.

14. Shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority

According to the Company's Articles of Association, the corporate decisions are taken by majority vote, whatever the percentage of share capital represented at the meeting, except when a different majority is required by law.

In a second call, the General Meeting may decide independently of the number of shareholders present and the capital they represent.

The deliberative quorum of the General Meeting is in accordance with the Portuguese Companies Act (CSC).

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of corporate governance model adopted

Cofina adopts the government model called monist, which includes a management structure centralized in a Board of Directors, a centralized Supervisory Board and a Statutory Auditor.

The Board of Directors is thus the body responsible for management of the Company's business in achieving its social object.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable

The Members of the Board of Directors of the Company are appointed by the Shareholders' General Meeting for a three years' mandate and may be re-elected once or more.

The Board Directors is composed by three to nine members, shareholders or not, elected by the Shareholders' General Meeting.

At the General Shareholders' Meeting elections, one, two or three Directors shall be elected individually among the candidates proposed on the lists endorsed by groups of shareholders, depending on whether the total number of Directors is three or four, five or six, seven or more than seven, provided that none of the said groups own shares representing over 20 % (twenty per cent) or less than 10 % (ten per cent) of the share capital. Each of the referred lists shall propose at least 2 (two) candidates eligible for each one of the available posts, one of them being nominated as substitute. No shareholder may endorse more than 1 (one) of the mentioned lists. Existing more than one list, the voting will focus over the whole set of them.

The General Shareholders' Meeting may not proceed to the election of any further Directors until one, two or three have been elected, as per the dispositions above, unless the above mentioned lists have not been presented. In the case of there being no elected Director, his/her respective substitute shall be called. In the case of there being no substitute, a new election shall be called, in which the above dispositions shall be applied with the necessary adaptations.

17. *Composition of the Board of Directors*

The Board of Directors is currently made up of 5 members who are responsible for carrying out all the management functions to implement the operations inherent to its corporate goals, acting in the best interests of the Company, its shareholders and other stakeholders. On December 31, 2016 this corporate board was composed of the following members:

- Paulo Jorge dos Santos Fernandes – President
- João Manuel Matos Borges de Oliveira – Member
- Domingos José Vieira de Matos – Member (non executive)
- Pedro Miguel Matos Borges de Oliveira – Member (non executive)
- Ana Rebelo de Carvalho Menéres de Mendonça – Member (non executive)

All Board of Director's members were appointed by the Shareholder's General Meeting held in April, 24, 2014 for the period 2014/2016.

| NAME | FIRST APPOINTMENT | END OF MANDATE |
|--|-------------------|------------------|
| Paulo Jorge dos Santos Fernandes | 1990 | 31 December 2016 |
| João Manuel Matos Borges de Oliveira | 1990 | 31 December 2016 |
| Domingos José Vieira de Matos | 1990 | 31 December 2016 |
| Pedro Miguel Matos Borges de Oliveira | May 2009 | 31 December 2016 |
| Ana Rebelo de Carvalho Menéres de Mendonça | May 2009 | 31 December 2016 |

18. *Distinction to be drawn between executive and non-executive directors and, as regards non-executive members, details of members that may be considered independent*

As of December 31, 2016, the Board of Directors included three non-executive members: Domingos José Vieira de Matos, Pedro Miguel Matos Borges de Oliveira and Ana Rebelo de Carvalho Menéres de Mendonça.

The Board Directors does not include any member that satisfies the standard of independence referred in recommendation II.1.7 of Corporate Governance Code issued by the Portuguese Securities Regulator (CMVM) since the three directors are holders of qualifying holdings in the Company's share capital.

Despite this circumstance, to allow an independent and informed decision to the non-executive directors the Company has the following mechanisms:

- Notices of meetings of the Board of Directors sent to all directors include the agenda, even tentatively, of the meeting, and are accompanied by all the relevant information and documentation;
- The availability of executive directors to provide to non-executive directors, any additional information which they consider relevant or necessary, and to carry out studies and more in-depth analysis in relation to all matters to be decided upon or are under review in some way, in the Company;

- Availability of minutes books, records, documents and other records of operation of the Company or the subsidiaries, for examination, as well as the provision and promotion of a direct channel of obtaining information from the managers and operational and financial officers of several companies that are part of the Group, without requiring any intervention of the executive directors in this process.

Given the corporate model adopted and the composition and mode of operation of its governing boards, including the independence of the supervisory boards, without, delegation of powers among them, the Group considers that the designation of independent directors to the Board would not yield significant improvements for the proper functioning of the corporate governance model, which has revealed itself proper, adequate and efficient.

It should be added that the Director's report includes in its chapter "Activity developed by the non-executive members of the Board," a description of the activity of the non-executive Directors during 2016.

19. Professional qualifications and other relevant curricular information of each member of the Board of Directors

The qualifications, experience and positions held in other Companies by the members of the Board of Directors are presented in Appendix I.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights

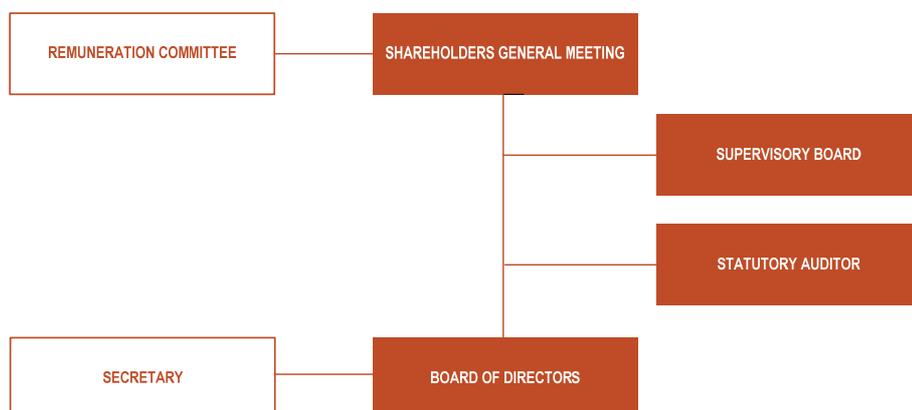
The director Paulo Jorge dos Santos Fernandes is a director and dominant shareholder of ACTIUM CAPITAL – SGPS, S.A. which owns 13.05 % in the share capital of Cofina, SGPS, S.A..

The director João Manuel Matos Borges de Oliveira is director of INDAZ, S.A., which owns 15.01 % of the share capital of Cofina, SGPS, S.A.. Additionally, that director is brother of the non-executive director Pedro Miguel Matos Borges de Oliveira who, by its turn, owns 7.53% of the share capital of Cofina, SGPS, S.A..

The director José Domingos Vieira de Matos is a director and dominant shareholder of LIVREFLUXO - SGPS, SA which owns 12.09 % in the share capital of Cofina, SGPS, S.A..

The company Promendo SGPS, S.A., owner of 19.98 % of the share capital of Cofina, SGPS, S.A. has as its director and dominant shareholder Ana Rebelo de Carvalho Menéres de Mendonça, non-executive director of Cofina.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management



The Board of Directors develops its management functions and coordination of the Group companies on a collective basis and is currently made up of a president and four members, three of them being non-executive.

The Board of Directors has been exercising its activity in constant dialogue with the Supervisory Board and the Statutory Auditor, providing the requested assistance with transparency and rigor, complying their regulations and best practices of corporate governance.

There is no limit to the maximum number of positions that the Board members can accumulate as directors of other companies. The members of Cofina's Board of Directors are, in most cases, part of the management of the most significant group companies, so as to enable their activities to be more closely monitored.

The Board of Directors believes that due to its organizational structure, the only essential specialized commission taking into account its size and complexity, is the Remuneration Committee, as explained in paragraph 27 below.

The Remuneration Committee is the body responsible for performance evaluation and approving the remuneration of Board members and other corporate bodies, in compliance with the remuneration policy of the Company, approved by shareholders in General Meetings.

Cofina's Corporate Finance department, given its integrated and cross-sectional view at the level of all companies in the group, is responsible, on the one hand, for the definition of financial management strategies and policies and, second, to secure interface capital markets, debt and banking. Cofina's Corporate Finance will also develop mechanisms necessary to implement the outlined financial management strategies and policies.

The planning and management control area provides support in the implementation of corporate strategies and / or business, followed by the group. This area prepares and analyses management information at the level of all companies in the group, as well as at consolidated level, monthly, quarterly, semi-annual and annual monitoring deviations from budget and proposes the necessary corrective measures. Also bears responsibility for building business plans, integrating multidisciplinary work teams created for this purpose, activities that develops along with the ongoing development and technical studies and benchmark existing businesses in order to monitor the performance of Cofina having regard to its strategic position.

The legal area of Cofina provides legal support in all areas of group activity, monitoring and ensuring, on the one hand, the legality of the developed activities of Cofina, and ensuring, on the other, relations with Euronext Lisbon,

with the CMVM and the shareholders when legal matters are under discussion. This area is also responsible for monitoring the corporate governance policy with a view to achieving best practice in this area. This area will also have the responsibility for drawing and / or analysing contracts that maximize safety and reduce legal risks and potential costs, the management of issues relating to intellectual and industrial property used by the group, such as patents and trademarks, logos, domains and copyright, still exercising the corporate secretarial functions on a permanent monitoring of legal compliance, supporting the Board of Directors to implement their strategies.

The area of investor relations establishes the relationship between the group and the financial community, permanently disseminating relevant and updated information on its activity. This area is also responsible for assisting the Board of Directors in providing updated information on the capital market as well as aid for the management of institutional relations of Cofina, establishing permanent contact with institutional investors, shareholders and analysts and representing the group in associations, forums and events (national or international).

In addition, the operating companies of Cofina have their own management control bodies that exercise their activity at all levels of the subsidiary companies and prepare monthly reports, periodically reported to the respective Boards of Directors.

Generically, Cofina directors focus their activities in managing the Group holdings and defining its strategic development guidelines. Cofina has not designated an Executive Committee. The strategic decisions are taken by the Board including all its members, executives and non-executives, in the normal accomplishment of their duties.

The daily management of each subsidiary is a responsibility of its Board of Directors, which includes some of Cofina's directors but also some other members with defined functions and competences.

Thus, and taking into consideration the activities developed by the Board Members, both in Cofina and in the several subsidiaries, the functional organizational chart can be presented as follows:



b) Functioning

22. Availability and place where rules on the functioning of the Board of Directors may be viewed

The Board of Directors operating rules is available for consultation in Cofina's website (www.cofina.pt) (tab "About Cofina", section "Corporate Governance").

23. *The number of meetings held and the attendance report for each member of the Board of Directors*

The Company's Articles of Association provide that the Board of Directors shall meet whenever convened by its chairman, on his own initiative or at the request of any other officer and at least once a month.

During 2016, the Board of Directors met twelve times and assiduity corresponded in all meetings, to 100%.

The Board of Directors meetings are scheduled and prepared in advance, and timely documentation relating to the matters contained in its agenda is provided, to ensure all members of the Board the conditions for the informed exercise of their functions. Similarly, minutes of meetings, once approved, and the respective notices of meeting are forwarded to the President of the Supervisory Board.

24. *Details of competent corporate boards undertaking the performance appraisal of executive directors*

The performance assessment of executive directors belongs to the Remuneration Committee and is based on the functions performed by them in Cofina and in its subsidiaries, in compliance with the remuneration policy of the Company, approved by shareholders in General Meetings.

The assessment is based on the functions performed by members representing the Board of Directors and other corporate bodies in Cofina, considering the responsibilities assumed by each of these members, the value added by each and the accumulated knowledge and experience on the job.

25. *Predefined criteria for assessing executive directors' performance*

The remuneration of executive members of the Board of Directors includes a variable component of medium term (which will be calculated over the period of two mandates 2011 to 2013 and 2014-2016) computed based on total shareholders' return (share appreciation plus paid dividends), on the sum of net profit for that period (2011 to 2016) and on the evolution in the Company's business.

26. *Availability of each member of the Board of Directors and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year*

The professional activity of the current members of Cofina's Board of Directors, with reference to other companies where they have directors' functions and other relevant activities undertaken are presented in Appendix I.

It should be noted that the members of the Board of Directors showed their total commitment and availability in the exercise of their functions being present and participating in 100% of all meetings of the Board.

c) Committees within the Board of Directors

27. *Details of the committees created within the Board of Directors and the place where the rules on the functioning thereof is available*

The Board of Directors believes that the only committee required to meet the essential needs of the Company,

considering its size, is the Remuneration Committee.

Cofina has set a Remuneration Committee for the period 2014/2016, which composition is as follows:

João da Silva Natária – President

José Francisco Pais da Costa Leite – Member

Pedro Nuno Fernandes de Sá Pessanha da Costa – Member

The Remuneration Committee has a valid operating regulation for the current term, approved at a meeting of that committee held on December 2014 and which is available for consultation on the Company's website (www.cofina.pt) (tab "About Cofina", "Corporate Governance" section).

28. Composition, if applicable, of the executive board and/or identification of board delegates

Cofina, considering its organizational structure, and the small size of the Board of Directors, composed by five members, considers to be unnecessary a formal appointment of an Executive Committee on the Board of Directors.

Nevertheless, as stated in paragraph 18 of this report, two members of the Board of Directors perform executive functions, observing the following:

- (i) notices of meetings of the Board of Directors sent to all directors include the agenda, even tentatively, of the meeting, and are accompanied by all the relevant information and documentation;
- (ii) availability of executive directors for the provision to non-executive directors, of any additional information which they consider relevant or necessary, and to carry out further studies and analyses in relation to all matters which are the subject of deliberation or that, are under review in some way, in the Company;
- (iii) the non – executive directors have wide powers to obtain information on any aspect of the Company, to examine its books, records, documents and other historic facts of the Company's operations. They can request relevant information directly to the directors and to the financial and operating senior staff of all group companies, without requiring any intervention of the executive directors in this process.

Thus, the Company considers that the necessary conditions for decisions on strategic matters are assumed, taken by the Board of Directors as a body composed of all of its members, executive and non-executive, in the normal performance of their duties, enlightened and informed way, totally focused on creating value for shareholders.

However, the Board has regularly reflected on the adequacy of its organizational structure, always concluding that its structure is aligned with the best corporate governance practices, which has materialized in a positive performance.

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

As mentioned in the paragraphs 27 and 28, the Board of Directors believes that the only specialized committee indispensable to satisfy the needs of the Company, considering its dimension, is the Remuneration Committee.

According to the Articles of Association, the Remuneration Committee is the corporate body responsible for

performance evaluation and approving the remuneration of Board members and other corporate bodies, in compliance with the remuneration policy of the Company, approved by shareholders in General Meetings.

The performance assessment of executive directors belongs to the Remuneration Committee and is based on the functions performed by them in Cofina and in the Group as well as the responsibility and the value added by each one of the directors and the accumulated experience and knowledge on their functions.

III. SUPERVISION

a) Composition

30. Details of the Supervisory Board representing the model adopted

The Supervisory Board and Statutory Auditor are the supervision bodies of the Company.

31. Composition of the Supervisory Board with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date of first appointment, date of end of the term of office for each member

The Supervisory Board is appointed by the Shareholders' General Meeting, for a three years mandate, composed of three members and one or two substitutes, responsible for the supervision of the Company and the appointment of the Statutory Auditor. For 2014 until 2016, the Supervisory Board was composed by the following members:

Pedro Nuno Fernandes de Sá Pessanha da Costa – President

André Seabra Ferreira Pinto – Member

José Guilherme Barros Silva – Member

Luís Filipe Alves Baldaque de Marinho Fernandes – Substitute

The Supervisory Board members were appointed for the first time in April 2014.

32. Details of the members of the Supervisory Board which are considered to be independent pursuant to Article 414/5 of Portuguese Companies Act

As a collective board, the assessment of independence of the Supervisory Board is made to all those who compose it, given the application of the number 6 of Article 414 of the Portuguese Companies Act, considering independence in accordance with the definition that is given by number 5 of article 414 and incompatibility according to definition of the number 1 of article 414-A, both of the Portuguese Companies Act. All members that compose the Supervisory Board comply the rules of incompatibility and independence identified above.

33. Professional qualifications of Supervisory Board members' and other relevant curriculum information

As regards the skills to exercise these functions, all members have appropriate skills to fulfil their duties and the chairman is adequately supported by the other members of the Supervisory Board. Appendix I presents the qualifications and professional activities of the members of the Supervisory Board.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board may be viewed

The Supervisory Board regulations are available on the website of Cofina (www.cofina.pt) (tab "About Cofina", section "Corporate Governance").

35. Number of meetings held and the attendance report for each member of the Supervisory Board

During 2016 the Supervisory Board of the Company met 5 times, with only one absence in one meeting, which was properly justified, and the corresponding minutes are recorded in the minutes' book of the Supervisory Board.

36. The availability of each member of the Supervisory Board indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of this Board throughout the financial year

The members of the Supervisory Board showed availability in the exercise of their duties attending and participating in all meetings of the Board. The information regarding other undertaken positions, qualifications and professional experience of the Supervisory Board members are detailed in Appendix I.

c) Powers and duties

37. Description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor.

The Supervisory Board analyses and approves the nature of other additional services to be performed by the External Auditor, evaluating if independence is ensured.

The Supervisory Board, exercising its functions, carries out an annual evaluation of independence of the External Auditor, particularly regarding non-audit services. Additionally, the Supervisory Board receives, on an amount basis, the declaration of independence of the External Auditor where the services rendered by it and by other entities of the same network, their fees, possible threats to their independence and safeguard measures are described. All the potentials threats to the independence of the External Auditor are evaluated and discussed with him as well as the respective safeguard measures.

38. Other duties of the supervisory board

The supervision of the Company is assigned to the Supervisory Board, as provided by article no. 420 of the Portuguese Companies Act.

The Supervisory Board also represents the Company regarding the External Auditor and Statutory Auditor and is responsible for proposing the provider for these services, their remuneration and to ensure that they are guaranteed, within the group, suitable conditions to provide their services. The Supervisory Board is the first recipient of the reports issued by the External Auditor as well as the group's representative in the relationship with

that entity.

The Supervisory Board is responsible for preparing an annual report on its activity and for giving an opinion on the annual report and proposals presented by the Board of Directors as well as monitor the effectiveness of risk management and internal control.

The Board of Directors, together with the Supervisory Board, regularly reviews and oversees the preparation and disclosure of financial information in order to prevent access, improper and untimely of third parties to relevant information.

Additionally, the Supervisory Board issues an opinion on transactions between the directors of Cofina and the company or between Cofina and companies in a group or domain relationship with the one in which the interested part is director, regardless of the amount, under article 397 of Portuguese Companies Act.

The External Auditor, within the annual audit, analyses the functioning of the internal control mechanisms and reports deficiencies identified; verifies that the key elements of internal control systems and risk management implemented in the Company in relation to the process of financial reporting are presented and disclosed in the annual Corporate Governance Report and issues a legal certification of accounts and audit report, which certifies whether that report disclosed about the structure and practices of corporate governance includes the elements referred to in Article 245 -A of Securities Code.

During 2016, the Statutory Auditor monitored the development of the Company's activity and carried out the tests and inspections deemed necessary to the review and legal certification of the accounts, in interaction with the Supervisory Board and with full cooperation of the Board of Directors.

In addition, the Statutory Auditor pronounced itself on the work it developed in 2016 in its annual audit report subject to the assessment of the Shareholders' Annual General Meeting.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents same

The Statutory Auditor of the Company for the period 2014/2016 is Deloitte & Associados, SROC S.A., represented by António Manuel Martins Amaral or Miguel Nuno Machado Canavarro Fontes.

40. Number of years that the statutory auditor consecutively carries out duties with the company and/or group.

Deloitte & Associados, SROC, S.A., is responsible for the functions of the Statutory Auditor since 2002 and was reelected for another mandate under the proposal from the Supervisory Board, in the General Meeting of April 24, 2014.

The proposal submitted by the Supervisory Board for the election of Deloitte & Associados, SROC, S.A. for a new mandate was supported by a previous study in which the auditor's independence was considered and the advantages and disadvantages of maintaining. Such a proposal was presented based on the conviction that the

quality of the work done by Deloitte & Associados, SROC, S.A. and its experience in the sector where Cofina acts, overlap the possible drawbacks in its maintenance. It was surely conviction of that body that maintaining Deloitte & Associados, SROC, S.A. in functions would not damage the integrity and the independence with which they would still exercise in the Company.

41. Description of other services that the statutory auditor provides to the company

The Statutory Auditor is simultaneously the External Auditor of the Company as detailed in sections below.

V. EXTERNAL AUDITOR

42. Details of the external auditor appointed in accordance with Article 8 and the partner that represents same in carrying out these duties, and the respective registration number at the CMVM

The External Auditor of the Company is Deloitte & Associados, SROC, S.A. appointed in accordance with article 8 of CVM, registered under the number 231 in the Portuguese Securities Regulator (CMVM), represented by António Manuel Martins Amaral or Miguel Nuno Machado Canavarró Fontes.

43. State the number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

The External Auditor was elected for the first time in 2002 and the partner that represents it is in duty since 2014.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

Regarding to the External Auditor's rotation, the Company had not established, until the date of approval of the new Statutory Auditors Order's statutes, approved by the law 140/2015, of September 7, an External Auditor rotation policy, based in a pre-determined number of terms, having in consideration that a rotation policy was not a common or regular practice and also the significant disadvantages of such rotation arising from the termination and the prosecution of the respective functions.

The policy adopted until then by the Supervisory Board on this matter, has been to, previously to the presentation of proposals for the election of the External Auditor for a new term, carry out a thorough evaluation of the external auditor performance and also the advantages and drawbacks of the maintenance in functions of that auditor, and not just adopted the principle of rotation at the end of three terms, because from that evaluation resulted the conviction that keeping the same auditor beyond that period did not endanger the required and necessary independence of the Auditor.

The new statute of the Statutory Auditors Order, mandatory from 1 January 2016, establishes a new policy regarding External Auditor's rotation for public interest entities, as is Cofina's case. As so, the Supervisory Board initiated an election process in order to choose a new External Auditor in the Annual General Meeting of 2017.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

The Supervisory Board, in the fulfilment of its functions, annually assesses the External Auditor independence.

Additionally, the Supervisory Board promotes whenever necessary or appropriate in light of developments in the Company's business or the evolution of the market, a reflection on the adequacy of the External Auditor to carry out its duties.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

Other services rendered by the External Auditor in 2016 included, essentially, certification of Value Added Tax receivables from doubtful or uncollectible accounts receivable from customers.

The other services and other audit reliability services are performed by different teams of those involved in the audit process, so as to enhance auditor's independence.

The Supervisory Board has reviewed and approved the scope of those services and concluded that they did not threaten the independence of the External Auditor. In this particular aspect, the hiring of Deloitte & Associados, SROC, S.A. proved to be the most appropriate due to its solid experience and expertise in the field of taxation. Moreover, the actions of Deloitte & Associados, SROC, S.A. are often articulated with technicians and experts independent from its network, namely consultants.

In 2016, the fees charged by Deloitte & Associados, SROC, S.A. to Cofina's Group represented less than 1% of the total annual turnover of Deloitte & Associados, SROC, S.A. in Portugal. The quality system of the External Auditor controls and monitors the potential risk of loss of independence or conflicts of interest with Cofina.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services:

| <u>By the company</u> | <u>2016</u> | <u>%</u> | <u>2015</u> | <u>%</u> |
|--|----------------|----------------|----------------|----------------|
| Audit and statutory audit services (€) | 13,000 | 10.20% | 13,300 | 7.92% |
| Other attest services (€) | - | 0.00% | - | 0.00% |
| Tax consulting services (€) | - | 0.00% | - | 0.00% |
| Other services (€) | - | 0.00% | - | 0.00% |
| <u>By group companies</u> | | | | |
| Audit and statutory audit services (€) | 110,000 | 86.27% | 134,701 | 80.19% |
| Other attest services (€) | 4,500 | 3.53% | 19,980 | 11.89% |
| Tax consulting services (€) | - | 0.00% | - | 0.00% |
| Other services (€) | - | 0.00% | - | 0.00% |
| <u>Total</u> | | | | |
| Audit and statutory audit services (€) | 123,000 | 96.47% | 148,001 | 88.11% |
| Other attest services (€) | 4,500 | 3.53% | 19,980 | 11.89% |
| Audit services subtotal | <u>127,500</u> | <u>100.00%</u> | <u>167,981</u> | <u>100.00%</u> |
| Tax consulting services (€) | - | 0.00% | - | 0.00% |
| Other services (€) | - | 0.00% | - | 0.00% |
| | <u>127,500</u> | <u>100.00%</u> | <u>167,981</u> | <u>100.00%</u> |

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules governing amendment to the articles of association

The Statutory amendments follow the applicable legal terms, including the Portuguese Companies Act, which require a majority of two-thirds of votes for the adoption of such resolution.

II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

In Cofina, and as a result of the applicable legal dispositions, any reports of irregularities that consubstantiate violations of ethical or legal nature with significant impact in the fields of accounting, the fight against corruption and the financial and banking crime, must be addressed to the Supervisory Board.

Irregularities in relation to matters other than those mentioned above, should be addressed to the Board of Directors.

Considering the proximity of the members of the Board of Directors to the activities of the several Group companies and the respective employees, Cofina considers that such proximity allows that, whenever irregularities are detected, the Board of Directors is promptly informed, which ensures the implementation of procedures which handle in an effective and fair way the eventual irregularities that are detected.

Regarding the competences in the evaluation of ethical issues and the corporate governance structure, such functions are performed directly by the Board of Directors, which maintains a constant debate over this matter.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems

Risk management, as a key issue of the principles of good corporate governance is an area considered critical in Cofina, which promotes permanent awareness of all employees, at all levels of the organization, putting in them such responsibility in all processes of decision-making.

Cofina has no autonomous internal audit and compliance services. Risk management is ensured by the several Cofina's operating units based on a preliminary identification and prioritization of critical risks, by developing risk management strategies in order to implement control procedures considered appropriate to reduce the risk to an acceptable level.

Cofina has been monitoring the appropriation of this risk management model that has proved to be entirely

appropriate given the organizational structure of the Company.

51. Detail of hierarchical and/or functional dependency in relation to other boards or committees of the company

The Supervisory Board is responsible for supervising actions taken related to the evaluation of the operation of risk management mechanisms. It is therefore responsibility of this corporate body the supervision of the actions carried out by the Company in these matters.

The External Auditor, in the exercise of its functions, checks the adequacy of mechanisms and procedures involved ensuring the reporting of its conclusions to the Supervisory Board.

The Board of Directors is responsible for monitoring these mechanisms and procedures.

52. Other functional areas responsible for risk control

The Board of Directors is the body responsible for setting the overall strategic guidelines of the group, and is duly supported by the subsidiary management teams, ensuring not only the continuous monitoring, and the reporting to the Board of Directors of Cofina, of their situations detected, to ensure continuous and effective risk controls.

Risk management is ensured by various Cofina's operating units. The methodology of risk management includes several steps:

- First, internal and external risks that may materially affect the Groups' strategic objectives are identified and prioritized;
- The operational management of the various business units identify risk factors and events that may affect the operations and activities of Cofina, as well as any procedures and control mechanisms;
- Additionally, the impact and the probability of occurrence of each risk factor are weighted and according to the exposure level, the need to respond to the risk is evaluated; and
- The risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

The Board of Directors decides the level of exposure assumed by the group in its various activities and, without prejudice, the delegation of tasks and responsibilities, sets overall limits of risk and ensures that policies and procedures for risk management are followed.

In the monitoring of the risk management process, the Board of Directors, as a board responsible for Cofina's strategy, has the following objectives and responsibilities:

- Be aware of the most significant risks affecting the Group;
- Ensure the existence within the Group, of appropriate levels of knowledge of the risks affecting the operations and how to manage them;
- Ensure the disclosure of the risk management strategy at all levels of hierarchy;
- Ensure that the Group is able to minimize the likelihood and impact of risks in the business; and
- Ensure that the risk management process is adequate and that it maintains a close monitoring of those

risks with higher probability of occurrence and higher impact in the Group's operations.

The subsidiaries manage their own risks, within the established criteria and delegations set by the Board of Directors.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

The Board of Directors considers that the Group is exposed to the normal risks associated with its operations, namely in its operating units. Therefore, the main risks considered by the Group are:

Credit Risk

Like every activity involving a commercial component, credit risk is one key factor that is considered by the Board of Directors in the operating units. This risk is firstly monitored and controlled through a system for collecting financial and qualitative information, provided by entities that provide credible risk information, which allows customers to evaluate the feasibility of the fulfilment of their obligations, in order to minimize the risk associated with granting credit. Credit risk evaluation is done on a regular basis, by analysing the current economic environment conditions, in particular the credit situation of each company and, when necessary, adopting the corrective measures.

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from the Group's operating activity, which is mitigated by the financial discounts policy regarding advanced payments or prompt payments in cash. This risk is monitored on a regular basis by each of the Group companies, which intend to:

- Limit the credit granted to customers, considering their profile and the ageing of receivables;
- Monitor the evolution of the credit level granted;
- Analyse the recoverability of the receivables on a regular basis.

Interest Rate Risk

Considering the Group's debt, possible variations on the interest rate may have an unwanted impact on the results. Therefore, the Group adopts a balanced position between the cost of the debt and its exposure to the interest rate variability. When the reasonable risk is exceeded, the Group engages in interest rate swap contracts in order to reduce its exposure to risk and to restrict the potential volatility of results.

The interest rate risk is mainly related to interests of commercial paper and bonds at a variable interest rate. In order to reduce the level of risk that the Group is exposed, Cofina engaged in the past hedging products with fixed interest rate. As of December 31, 2016, the Group has no hedging products with fixed interest rate.

The Group's sensitivity to variations in the interest rate is limited by the existence of hedging derivatives, as referred above, which are recorded at their market value. This is obtained based on external valuations performed by independent entities.

Liquidity Risk

Liquidity risk can occur if the sources of financing, such as operating cash flows, disinvestment cash flows, credit lines and cash flows from financing operations obtained do not meet the financing needs, such as cash outflows for operating activities and financing, investment, return on shareholders and reimbursement of debt.

As a mean to mitigate this risk, the Group aims to maintain a net position and an average debt maturity that allows its reimbursement in adequate terms.

Regulatory Risk

The Company is subject to national and activity laws and rules of the market where it works, which aim to ensure: the security and protection of customers and of environment, employees' rights and the maintenance of an open and competitive market. Thus, Cofina is naturally exposed to the risk of regulatory changes, which may affect the way the business is managed and, consequently, harm or prevent the achievement of strategic goals.

The Company's attitude is of permanent cooperation with the authorities regarding the respect and observance of the law.

Market Risk

Competition

Risk related to the entrance of new competitors or repositioning of the current ones and with the actions that they may take in order to increase their market share (introducing new concepts, innovation, etc.). The inability of competing in areas such as the price, product portfolio, quality and service may have adverse effects on the financial results of the Group. In order to minimize this risk, Cofina performs constant benchmarking of its competitors' actions and invests in new products and formats in order to always offer its customers innovative proposals.

Customers

A fundamental risk factor in the media business is the consumers' tendency to change their consumption patterns, depending mostly of social and economic factors.

Consumers frequently change their preferences and expectations, which demands a continuous adaptation and supply improvement. In order to anticipate the market and consumer trends, the Group regularly analyses the information regarding the readers' behaviour, based on market and opinion studies made by independent entities with high reputation in the market.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

As mentioned in paragraph 52, the Board of Directors is the body responsible for setting the overall strategic guidelines of the group, and is duly supported by the subsidiary management teams, ensuring not only the continuous monitoring, and the reporting to the Board of Directors of Cofina, of the situations identified, to ensure continuous and effective risk controls.

The process of identification and evaluation, monitoring, control and risk management in Cofina works as follows:

The risks that the group faces in the normal course of its business are identified. For all identified risks, the impact on financial performance and the value of the group is measured. The risk value is compared with the costs of hedging instruments, if available and, consequently, the development of identified risks and the hedging instruments is monitored, which follows, more or less, in compliance with the following methodology:

- First, internal and external risks that may materially affect the Groups' strategic objectives are identified and prioritized;
- The operational management of the various business units identify risk factors and events that may affect the operations and activities of Cofina, as well as any procedures and control mechanisms;

- Additionally, the impact and the probability of occurrence of each risk factor are weighted and according to the exposure level, the need to respond to the risk is evaluated; and
- The risk mitigation actions are monitored and the level of exposure to critical factors is constantly monitored.

The Company has implemented additional risk management strategies that aim to ensure, essentially, that the systems and control procedures and the established policies allow answering expectations of management bodies, shareholders and other stakeholders.

Some of these strategies are as follows:

- Systems and control procedures and policies are established in accordance with all applicable laws and regulations;
- The financial and operational information is complete, reliable, safe and reported on a regular and timely manner;
- Cofina resources are used efficiently and rationally; and
- The shareholder value is maximized and operational management takes the necessary measures to correct problems reported.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In what refers to risk control in the process of disclosure of financial information, a form of control is the involvement of a very limited number of Cofina employees in the process.

All involved in financial analysis are considered as having access to privileged information and is especially knowledgeable about the content of their obligations as well as the sanctions resulting from the misuse of such information.

The internal rules for the disclosure of financial information are intended to secure their timing and prevent the asymmetry of the market.

The system of internal control in areas of accounting and preparation and disclosure of financial information is based on the following key elements:

- The use of accounting principles, detailed throughout the notes to the financial statements, is one of the bases of the control system;
- Plans, procedures and records of the Company and its subsidiaries provide reasonable assurance that transactions are recorded only when properly authorized and that such transactions are recorded in accordance with generally accepted accounting principles;
- Financial information is analysed in a systematic and regular basis by the management of operational units, ensuring a permanent monitoring and control of its budget;
- During the process of preparing and reviewing financial information, a timetable for closure of accounts is previously established and shared with the different areas involved, and all documents are reviewed in depth;

- At the level of individual financial statements of the various Group companies, the accounting records and the preparation of financial statements are provided by administrative and accounting services. The financial statements are prepared by an official chartered accountant and reviewed by the financial management of each subsidiary;
- The consolidated financial statements are prepared quarterly by the consolidation team. This process is an additional element of monitoring the reliability of financial reporting, particularly by ensuring the uniform application of accounting principles and procedures for cut-off of operations as well as check balances and transactions between group companies;
- The consolidated financial statements are prepared under the supervision of the financial management. The annual report is sent for review and approval by the Board of Directors. After the approval, the documents are sent to the External Auditor, which issues the Statutory Audit and Auditor's Report; and
- The process of preparing the financial information and consolidated Directors' report is monitored by the Supervisory Board and by the Board of Directors. Each quarter, these corporate boards meet and analyse the individual and consolidated financial statements of the Company.

As regards to risk factors that could materially affect the accounting and financial reporting, we should highlight the use of accounting estimates that are based on the best available information during the preparation of financial statements as well as the knowledge and experience of past or present events. We also stress the balances and transactions with related parties: Cofina's Group balances and transactions with related parties relate essentially to the operational running of the group companies as well as to granting and obtaining loans at market rates.

The Board of Directors, together with the Supervisory Board, regularly review and monitor the preparation and disclosure of financial information in order to prevent access, improper and untimely, of other persons to relevant information.

IV. Investor Assistance

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details

The Company has an investor assistance department which includes the group's market liaison officer and the investor relations.

The contact for investors to obtain information is as follows:

Rua General Norton de Matos, 68 – R/C
4050-424 Porto
Tel: (351) 22 834 65 00
Fax: (351) 22 834 65 09
Email: sede@cofina.pt

Cofina provides financial information relating to its individual and consolidated operations, as well as that of its subsidiary companies, through its official internet website (www.cofina.pt). This website is also used by Cofina to provide information on press releases, previously disclosed in the Information Disclosure System of the CMVM, as well as any relevant facts occurring in the life of the Company. This page also includes Cofina Group's reports and

accounts of the latest years. The majority of the information is available in the site both in Portuguese and in English.

57. Market Liaison Officer

The functions of the Group's market liaison officer are performed by Miguel Valente and the functions of investor relations by Ricardo Mendes Ferreira.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

Whenever necessary, the market liaison officer provides all relevant information regarding the events, facts considered relevant, disclosure of quarterly results and answers to any requests for clarification by the investors or the general public on public financial information. All requested information from investors is analysed and addressed in a maximum of five days.

V. Website

59. Address(es)

Cofina has a web site available with information about the Company and the Group. The address is: www.cofina.pt.

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available

[www.cofina.pt \ about cofina \ company profile](http://www.cofina.pt/about-cofina/company-profile)

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

[www.cofina.pt \ investors \ articles of association](http://www.cofina.pt/investors/articles-of-association)

[www.cofina.pt \ about cofina \ corporate governance \ archive](http://www.cofina.pt/about-cofina/corporate-governance/archive)

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details

[www.cofina.pt \ about cofina \ corporate governance \ archive](http://www.cofina.pt/about-cofina/corporate-governance/archive)

[www.cofina.pt \ investors \ ir contacts](http://www.cofina.pt/investors/ir-contacts)

[www.cofina.pt \ investors \ investor support office](http://www.cofina.pt/investors/investor-support-office)

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and

where applicable, quarterly financial statements

www.cofina.pt \ investors \ reports

www.cofina.pt \ investors \ financial calendar

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

www.cofina.pt \ investors \ annual meetings

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

www.cofina.pt \ investors \ annual meetings

D. REMUNERATION

I. Power to establish

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration Committee is responsible for approving the remuneration of the Board of Directors and other corporate bodies representing the shareholders, in accordance with the remuneration policy approved by the shareholders at the General Meeting.

II. Remuneration Committee

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

Cofina, SGPS, S.A. has set a Remuneration Committee for the period 2014/2016, whose composition is as follows:

- João da Silva Natária – President
- José Francisco Pais da Costa Leite - Member
- Pedro Nuno Fernandes de Sá Pessanha da Costa – Member

All members of the Remuneration Committee are independent from the members of the Board of Directors. Additionally, in 2016 no persons or entities were hired to assist Remuneration Committee members.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The experience and the professional qualifications of the Remuneration Committee members are in their curricula available on the Company's website, www.cofina.pt, tab "Investors", section "Annual Meetings/2014/Résumés".

Cofina believes that the experience and professional careers of the members of the Remuneration Committee allow them to perform their duties accurately and effectively. In particular, João da Silva Natária has extensive experience and specific knowledge in matters of remuneration policy. Additionally, and whenever necessary, this committee uses specialized resources, internal or external, to support its decisions.

III. Remuneration structure

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards as set out in Article 2 of Law No. 28/2009 of 19 June

As provided in Law 28/2009, of 19 June, a statement on the remuneration policy of the management and supervisory boards is submitted annually for consideration by the General Shareholders Meeting.

The policy on remuneration and compensation of the corporate bodies of Cofina, adopted at the General Meeting held on 21 April 2016, respects the following principles:

BOARD OF DIRECTORS:

In order to establish the value of individual remuneration of each director, the following should be taken into account:

- The functions performed at Cofina, SGPS, S.A, and its subsidiaries;
- The responsibility and the value added by individual performance;
- Knowledge and cumulative experience on the job;
- The economic situation of the Company;
- The remuneration in companies within the same sector and in other companies listed on Euronext Lisbon.

The global fixed remuneration for all the members of the Board of Directors, including the remuneration that the subsidiaries pay to the members that integrate the Board of Directors, cannot exceed 1.25 million Euro per year.

1. Executive directors

- Fixed component, amount paid monthly.
- Medium term variable component:

Intended to more strongly align the interests of executive directors with those of shareholders and will be calculated covering the period of two mandates. 2011-2013 and 2014-2016, based on:

- Total shareholder return (shares appreciation plus dividend distributed)
- Sum of the consolidated net results of the six years (2011 to 2016)

- Company' business evolution

The total medium term component cannot exceed 50% of fixed remuneration earned during the period of the six years.

2. Non-executive directors

The individual remuneration of any non-executive director may not exceed 100,000 Euro per year, being exclusively fixed.

SUPERVISORY BOARD

The remuneration of Members of the Supervisory Board will be based on yearly fixed amounts at levels considered adequate for similar functions.

GENERAL SHAREHOLDERS MEETING

The remuneration of the members of the General Shareholders Meeting will be exclusively fixed and will follow market practices.

STATUTORY AUDITOR

The Statutory Auditor will have a fixed fee appropriate to the respective functions and in accordance with market practice, under the supervision of the Supervisory Board.

COMPENSATION FOR TERMINATION OF FUNCTIONS BEFORE ON OR TERM OF MANDATE

The remuneration policy maintains the principle of not covering the granting of any compensation to directors or other governing bodies, concerning their termination of functions, either early or at the scheduled end of their duties, subject to compliance with the legal provisions in force.

SCOPE OF PRINCIPLES

The principles that follow remuneration policies and compensation specified in this policy include not only the salaries paid by COFINA SGPS, S.A. but also the salaries that are paid to the members of the Board of Directors by companies controlled directly or indirectly by it.

It is important to mention that, in January 2017, the members of the Board of Directors have informed the remunerations committee that, due to the adverse market conditions in which the Group develops its activity, it's their intention to abdicate of any remuneration from the exercise of their functions in all Group's companies. Therefore, since that date, the members of Cofina's Board of Directors are not remunerated either by the Company or by any of its subsidiaries.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the

performance assessment and how it discourages excessive risk taking.

The remuneration policy for executive directors aims to ensure a proper and thorough compensation for the performance and contribution of each director for the success of the organization, aligning the interests of the executive directors with those of the shareholders and of the Company. Additionally, the remuneration policy provides for a variable component of deferred payment, aiming to more strongly align the interests of the executive directors with those of the shareholders and the long-term interests of the Company.

The proposal for remuneration of executive Directors are drawn up taking into account the functions performed in Cofina, and in its subsidiaries; the responsibility and added value by individual performance; the knowledge and the experience on the job; the economic situation of the Company; the remuneration earned in other companies from the same sector; and other companies listed on Euronext Lisbon. Regarding the latter point, the Remuneration Committee takes into account all national companies of equivalent size, particularly those listed on Euronext Lisbon, and also companies in international markets with characteristics similar to Cofina.

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

In the General Shareholders Meeting held in 21 April 2016, the remuneration policy as detailed in paragraph 69 above was approved, which includes a variable component depending on the performance during the period between 2011 and 2016.

No mechanisms to prevent executive Directors from having employment contracts that question the grounds of the variable remuneration are implemented. However, the Remuneration Committee takes into account these factors in the criteria for determining the variable remuneration. The Company did not celebrate any agreements with members of the Board of Directors that have the effect of mitigating the risk associated to the variability of the remuneration or has become aware of any identical contracts with third parties.

72. The deferred payment of the remuneration's variable component and specify the relevant deferral period

There is currently no variable compensation which payment was deferred in time.

73. The criteria whereon the allocation of variable remuneration on shares is based

Cofina has not in place nor intends to have any form of compensation that may include shares or any other equity based compensation system.

74. The criteria whereon the allocation of variable remuneration on options is based

Cofina does not have in place any form of compensation that includes stock options.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits;

Cofina hasn't any annual bonus scheme nor any other non-financial benefits.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

Cofina S.G.P.S., S.A. has no supplementary pension or early retirement schemes for corporate boards or key staff.

IV. Remuneration disclosure

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same.

The compensation received by the non-executive members of the Board of Directors of Cofina during 2016, in the exercise of their functions, include only fixed remuneration, were paid directly by Cofina SGPS, S.A. and amounted to 84,000 Euro allocated as follows: Domingos Matos – 28,000 Euro; Ana Mendonça – 28,000 Euro; Pedro Borges de Oliveira – 28,000 Euro.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

The compensation received by the two executive members of Cofina's Board of Directors, included only fixed remuneration, were fully paid by subsidiaries of the Group where they exercise management functions and amounted to 160,000 Euro allocated as follows: Paulo Fernandes – 80,000 Euro and João Borges de Oliveira – 80,000 Euro.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

During the year, there was no remuneration in the form of profit sharing or bonuses.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

During the year, no amounts relating to compensation to directors whose functions have ceased have been paid or become due.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board

The remuneration of the Supervisory Board is composed of a fixed annual amount based on Cofina's situation and on the current market practices. In the year ended 31 December 2016, the remuneration of the Supervisory Board members (elected for the job in 24 April, 2014) amounted to 26,620 Euro distributed as follows: Pedro Pessanha – 10,000 Euro; André Pinto – 8,310 Euro; Guilherme Silva – 8,310 Euro.

The remuneration of the Statutory Auditor is described in paragraph 47 above.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

The remuneration of the Chairman of the Shareholders' General Meeting in the year ended 31 December 2016 was Euro 5,000.

V. Agreements with remuneration implications

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component

The remuneration policy maintains the principle of not including the granting of any compensation to directors or other governing boards, concerning the termination of their functions, either early or at the scheduled end of their terms of office, subject to compliance with the legal provisions in force.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid

There are no agreements between the Company and members of the Board of Directors or other key staff, pursuant to paragraph 3 of Article 248-B of the Securities Code, which provide compensations in case of resignation, unfair dismissal or termination of employment contract following a takeover bid. There aren't also planned agreements with directors to ensure any compensation in case of non-renewal of their terms of office.

VI. Share-allocation and/or stock option plans

85. Details of the plan and the number of persons included therein

Cofina, SGPS, SA has no plan to grant shares or stock options to the Board of Directors nor to its employees.

86. Characteristics of the plan

Cofina, SGPS, SA does not have any plan to grant shares or stock options.

87. Stock option plans for the company employees and staff

There are no stock options granted for the acquisition of shares which benefit Company's employees and staff.

88. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by said employees

Not applicable as explained above.

E. RELATED PARTY TRANSACTIONS

I. Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

Currently, there are no established procedures or criteria for defining the relevant significance level of business between the Company and holders of qualifying holdings, or entities in any relationship or group with those shareholders, from which the intervention of the supervisory board is required.

However, the Company conducts its action with principles of rigor and transparency, with scrupulous observance of the competitive market rules.

90. Details of transactions that were subject to control in the referred year

No businesses or significant transactions between the Company and members of its governing boards (both management and supervision), the holders of qualified shareholdings, were performed, except those that are part of the current activity of the Group and which were carried out under normal market conditions for similar transactions.

No businesses or transactions with the members of the Supervisory Board were performed.

The non-audit services provided by the Statutory Auditor were approved by the Supervisory Board and are detailed in paragraph 47 above.

Transactions with group companies are not material and were made under normal market conditions and are part of the current activity of the Company and therefore are not subject to separate disclosure.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former

Transactions with Cofina directors or companies that are in a group or control relationship with the one in which the intervener is a Director, regardless of the amount, are subject to the prior authorization of the Board of Directors with a favourable opinion of the Supervisory Board pursuant to Article 397 of the Portuguese Companies Act. In 2016 it was not necessary for the Supervisory Board to issue an opinion because no transactions that require the approval of that board occurred.

II. Data on business deals

92. Details of the place where the financial statements including information on business dealings with

related parties are available

Information on related parties is disclosed in note 28 of the notes to consolidated financial statements and note 22 of the notes to the individual financial statements of the Company.

PART II – CORPORATE GOVERNANCE EVALUATION

1. Identification of the Corporate Governance adopted

This report provides a description of the governance structure adopted by Cofina, as well as the respective policies and practices adopted.

The report complies with the standards of Article 245-A of the Portuguese Securities Code and discloses in accordance with the comply or explain principle, the degree of compliance with the CMVM recommendations incorporated in 2013 CMVM Corporate Governance Code.

The duties of disclosure required by Law 28/2009 of 19 June, Articles 447 and 448 of the Portuguese Companies Act and CMVM Regulation no. 5 / 2008, of 2 October 2008 are also fulfilled.

All the legal provisions referred on this report and the recommendations listed in the Corporate Governance Code of 2013, can be found in www.cvm.pt.

This report should be read as part of the Annual Management Report and as part of the Individual and Consolidated Financial Statements for the fiscal year 2016.

2. Analysis of compliance with the Code of Corporate Governance adopted

Cofina encouraged all actions to promote the adoption of best corporate governance practices, basing its policy on high ethical standards and social responsibility.

The Board of Directors of Cofina encourages transparent relationships with investors and with the market, and has based its performance by the constant search of value creation, to the promotion of the interests of employees, shareholders and other stakeholders.

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II. Corporate Governance Report

In compliance with the standards of Article 245-A, no. 1, paragraph o) of the Portuguese Securities Code, the CMVM recommendations incorporated in 2013 CMVM Corporate Governance Code the Company set out to carry out are listed below:

| RECOMMENDATION | COMPLIES | REMISSION |
|---|----------------|-------------------|
| I. VOTING AND CONTROL OF THE COMPANY | | |
| I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically. | Adopted | 12, 13 and 14 |
| I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law. | Adopted | 13 and 14 |
| I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders. | Adopted | 12 and 13 |
| I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the general assembly (five year intervals), on whether that statutory provision is to be amended or prevails - without superquorum requirements as to the one legally in force - and that in said resolution, all votes issued be counted, without applying said restriction. | Adopted | 13 and 14 |
| I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted. | Adopted | 2, 4, 5 and 6 |
| II. SUPERVISION, MANAGEMENT AND OVERSIGHT | | |
| II.1 SUPERVISION AND MANAGEMENT | | |
| II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance. | Adopted | 21 and 28 |
| II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company; ii) define business structure of the group; iii) decisions considered strategic due to the amount, risk and particular characteristics involved. | Adopted | 21 and 28 |
| II.1.3. The General and Audit Committee, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company. | Non applicable | |
| II.1.4. Except for small-sized companies, the Board of Directors and the General and Audit Committee, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement. | Adopted | 21, 27, 28 and 29 |
| II.1.5. The Board of Directors or the General and Audit Committee, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals. | Adopted | 52, 54 and 55 |
| II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board. | Adopted | 18 |

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II. Corporate Governance Report

| RECOMMENDATION | COMPLIES | REMISSION |
|---|----------------|-----------|
| <p>II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <p>a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years;</p> <p>b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;</p> <p>c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member;</p> <p>d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;</p> <p>e. Being a qualifying shareholder or representative of a qualifying shareholder.</p> | Non adopted | 18 |
| II.1.8. When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request. | Adopted | 18 |
| II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings. | Adopted | 23 |
| II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these members can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination. | Non adopted | 18 |
| II.2. SUPERVISION | | |
| II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties. | Adopted | 32 and 33 |
| II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company. | Adopted | 38 |
| II.2.3. The Audit Committee shall evaluate the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal. | Adopted | 45 |
| II.2.4. The Audit Committee shall evaluate the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary. | Adopted | 38 |
| II.2.5. The Audit Committee, the General and Supervisory Board and the Audit Committee decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties. | Non applicable | 50 and 51 |
| II.3. REMUNERATION SETTING | | |
| II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy. | Adopted | 67 and 68 |
| II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above. | Adopted | 67 |
| II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: | | |
| a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; | | |
| b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; | | |
| c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members. | Adopted | 69 |
| II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly evaluate said plan. | Non applicable | 73 and 74 |
| II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly evaluate said system. | Non applicable | 76 |

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II. Corporate Governance Report

| RECOMMENDATION | COMPLIES | REMISSION |
|--|----------------|-------------------|
| III. REMUNERATION | | |
| III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking. | Adopted | 70 |
| III.2. The remuneration of non-executive board members and the remuneration of the members of the Audit Committee shall not include any component whose value depends on the performance of the company or of its value. | Adopted | 78, 81 and 82 |
| III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components. | Adopted | 69 |
| III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period. | Adopted | 69 |
| III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company. | Adopted | 71 |
| III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate. | Non applicable | 73 e 74 |
| III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years. | Non applicable | 74 |
| III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable. | Adopted | 69 and 83 |
| IV. AUDITING | | |
| IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company. | Adopted | 38 |
| IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the Audit Committee and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company. | Adopted | 47 |
| IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the Audit Committee that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement. | Adopted | 40, 42, 43 and 44 |
| V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS | | |
| V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions. | Adopted | 90 |
| V.2. The supervisory or oversight board shall lay down procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20.1 of the Portuguese Securities Code - thus significant relevant business is dependent upon prior opinion of that body. | Non adopted | 91 |
| VI. INFORMATION | | |
| VI.1. Companies shall provide, via their websites in both the Portuguese and English languages access to information on their progress as regards the economic, financial and governance state of play. | Adopted | 59 to 65 |
| VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept. | Adopted | 56 to 58 |

The recommendations II.1.7., II.1.10. and V.2. are not fully adopted by Cofina, as explained below.

Recommendations II.1.7. and II.1.10.:

The Board Directors does not include any member that satisfies the standard of independence referred in recommendation II.1.7. and II.1.10. of Corporate Governance Code issued by the Portuguese Securities Regulator (CMVM) since the three non-executive directors are holders of qualifying holdings, of the Company.

Nevertheless, to allow to the non-executive directors an independent and informed decision, the Company has the following mechanisms:

- Notices of meetings of the Board of Directors sent to all directors include the agenda, even tentatively, of the meeting, and are accompanied by all the relevant information and documentation;
- Availability of executive directors for the provision to non-executive directors, of any additional information which they consider relevant or necessary, and to carry out further studies and analyses in relation to all matters which are the subject of deliberation or that, are under review in some way, in the Company;
- Availability of minutes books, records, documents and other records of operation of the Company or the

subsidiaries, for examination, as well as the provision and promotion of a direct channel of obtaining information from the managers and operational and financial officers of several companies that are part of the Group, without requiring any intervention of the executive directors in this process.

Given the corporate model adopted and the composition and mode of operation of its governing boards, including the independence of the Supervisory Board, without, delegation of powers among them, the Group considers that the designation of independent Directors to the Board would not yield significant improvements for the proper functioning of the corporate governance model, which has revealed itself proper and efficient.

The Director's report includes in its chapter "Activity developed by the non-executive members of the Board," a description of the activity of the non-executive Directors during 2016.

Recommendation V.2.:

Transactions with Cofina's Directors or with companies that are in a group or dominance relationship with them, regardless of the amount, are subject to prior approval of the Board of Directors, with a favourable opinion of the Supervisory Board, under the terms of article 397 of the Portuguese Companies Act.

Currently, no established procedures or criteria are in place for defining the relevant level of significance of businesses between the Company and holders of qualified holdings or entities that are in a group or dominance relationship, from which the intervention from the Statutory Board is required.

However, given the above mentioned legal requirement, and especially considering the constant legal requirement of the same matter, to disclose in the annual report of the Board, the occurrence of these situations, to which Cofina would always give full compliance, all legal requirements, as well as all the information disclosure obligations to shareholders and to the market on a complete and transparent basis are safeguarded.

3. Other information

In line with what has been said, Cofina would like to point out that, of the forty recommendations contained in the Corporate Governance Code of 2013, six of them are not applicable for the reasons set out above, and the failure to fully adopt only three of the recommendations is largely explained above.

Cofina therefore considers that, given the full compliance of thirty-one of these recommendations, the degree of adoption of the Company to the 2013 Corporate Governance Code's recommendations is practically total, which is materialized in a diligent and prudent management, absolutely focused on creating value for the Company and hence for shareholders.

LEGAL MATTERS

Own Shares

Pursuant to the requirements of article 66 of the Commercial Companies' Code ("Código das Sociedades Comerciais"), the Directors inform that as of 31 December 2016 Cofina had no own shares and did not acquire or sell any own shares during the year.

Shares held by the governing bodies of Cofina

Pursuant to the requirements of article 447 of the Commercial Companies' Code, the Directors inform that, as of 31 December 2016, they held the following shares:

| | |
|--|------------|
| Paulo Jorge dos Santos Fernandes (a) | 13,386,332 |
| João Manuel Matos Borges de Oliveira (b) | 15,400,000 |
| Domingos José Vieira de Matos (c) | 12,395,257 |
| Pedro Miguel Matos Borges de Oliveira | 7,719,360 |
| Ana Rebelo de Carvalho Menéres de Mendonça (d) | 20,488,760 |

(a) – The 13,386,332 shares correspond to the total COFINA –SGPS, S.A.'s shares held by ACTIUM CAPITAL – SGPS, S.A., of which the director Paulo Jorge dos Santos Fernandes is dominant shareholder and director.

(b) – The 15,400,000 shares correspond to the total COFINA – SGPS, S.A.'s shares held by INDAZ S.A., of which the director João Manuel Matos Borges de Oliveira is also director.

(c) – The 12,395,257 shares correspond to the total of COFINA – SGPS, S.A.'s shares held by LIVREFLUXO – SGPS, S.A. of which the director Domingos José Vieira de Matos is dominant shareholder and director.

(d) – The 20,488,760 shares correspond to the total of COFINA – SGPS, S.A.'s shares held by PROMENDO – SGPS, S.A., of which the director Ana Rebelo de Carvalho Menéres de Mendonça is dominant shareholder and director.

As of 31 December 2016, the Statutory Auditor, the members of the Supervisory Board and the members of the Board of the General Shareholders' Meeting held no shares of the Company.

Qualifying holdings

Pursuant to the requirements of articles 16 and 20 of the Securities Code ("Código de Valores Mobiliários") and article 448 of the Commercial Companies Code, the Directors inform that, in accordance with the notifications received, the companies and/or individuals that hold qualifying holdings exceeding 2%, 5%, 10%, 20%, 33% and 50% of the voting rights, are as follows:

| Santander Asset Management | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
|---|---------------------------|-------------------------------------|------------------------------------|
| Through Santander Ações Portugal Fund | | 2,069,459 | 2.02% |
| Through Santander PPA Fund | | 107,964 | 0.11% |
| | Total attributable | 2,177,423 | 2.12% |
| GNB - International Management, S.A. | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through NB Portugal Equity Fund | | 2,096,227 | 2.04% |
| Through NB Iberian Equity Fund | | 101,187 | 0.10% |
| | Total attributable | 2,197,414 | 2.14% |
| Credit Suisse Group AG | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Directly | | 5,039,060 | 4.91% |
| | Total attributable | 5,039,060 | 4.91% |
| Pedro Miguel Matos Borges de Oliveira | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Directly | | 7,719,360 | 7.53% |
| | Total attributable | 7,719,360 | 7.53% |
| Domingos José Vieira de Matos | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through Livrefluxo - SGPS, S.A. (of which is dominant sharehold and director) | | 12,395,257 | 12.09% |
| | Total attributable | 12,395,257 | 12.09% |
| Paulo Jorge dos Santos Fernandes | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through Actium Capital - SGPS, S.A. (of which is dominant sharehold and director) | | 13,386,332 | 13.05% |
| | Total attributable | 13,386,332 | 13.05% |
| João Manuel Matos Borges de Oliveira | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through INDAZ, S.A. (of which is director) | | 15,400,000 | 15.01% |
| | Total attributable | 15,400,000 | 15.01% |
| Ana Rebelo Carvalho Menéres de Mendonça | | No of shares held as of 31-Dez-2016 | % share capital with voting rights |
| Through PROMENDO - SGPS, S.A. (of which is dominant sharehold and director) | | 20,488,760 | 19.98% |
| | Total attributable | 20,488,760 | 19.98% |

Cofina was not informed of any participation exceeding 20% of the voting rights.

CLOSING REMARKS

We don't want to conclude without thanking our partners and employees of the group for their trust in our organization. We would also like to thank the External Auditor for the assistance provided during 2016 and to the Supervisory Board for the continued monitoring of our operations.

Oporto, 23 March 2017

The Board of Directors

Paulo Jorge dos Santos Fernandes – President

João Manuel Matos Borges de Oliveira

Domingos José Vieira de Matos

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo de Carvalho Menéres de Mendonça

APPENDIXES TO THE MANAGEMENT REPORT

December 31, 2016



STATEMENT UNDER THE TERMS OF ARTICLE 245, PARAGRAPH 1, C) OF THE SECURITIES MARKET CODE

The signatories individually declare that, to the best of their knowledge, the Board of Director's Report, the Individual and Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, and other accounting documents required by law or regulation, giving a truthful and appropriate image of assets and liabilities, financial position and the consolidated and individual results of Cofina, SGPS, S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties faced.

DECLARATION OF RESPONSIBILITY

The members of the Board of Directors of Cofina, S.G.P.S., S.A. declare that they assume responsibility for this information and attest that the items included herein are true and that, to the best of their knowledge, there are no omissions.

Under the terms and for the purposes of article 210 of the Code of the Contributory Regimes of the Social Security System (Law no. 110/2009, of September 16), the Board of Directors informs that there are no overdue debts to the State, namely with respect to Social Security.

APPENDIX I

1. Board of Directors

Qualifications, experience and positions held in other companies by members of the Board of Directors:

Paulo Jorge dos Santos Fernandes

He was one of the founders of Cofina, and has been directly involved in the Group's management since its incorporation. He is graduated from Oporto University with a degree in Electronic Engineering, and has also an MBA at the University of Lisbon.

He is shareholder of the Company since 1990, having also been appointed as Director at the same date.

He develops its activities in Media, Internet and paper pulp's industry. Nowadays, is CEO of Cofina, CO-CEO of Altri, from which is founder, shareholder, member of the Board of Directors and president. He is also member of the Board of Directors of F. Ramada Investimentos, SGPS, S.A.

In addition to the Companies where he currently exercises management functions his professional experience includes:

| | |
|-----------|---|
| 1982/1984 | Assistant Director of Production at CORTAL |
| 1986/1989 | General Director at CORTAL |
| 1989/1994 | President of the Board of Directors at CORTAL |
| 1995 | Director at CRISAL – CRISTAIS DE ALCOBAÇA, S.A. |
| 1997 | Director at Group Vista Alegre, S.A. |
| 1997 | Chairman of the Board of Directors at ATLANTIS - Cristais de Alcobaca, S.A. |
| 2000/2001 | Director at SIC |

Throughout his career, he also played roles in several associations:

| | |
|------------|---|
| 1989/1994 | President of FEMB (Fédération Européene de Mobilier de Bureau) for Portugal |
| 1989/1990 | President of General Assembly at Assoc. Industr. Águeda |
| 1991/1993 | Member of Advisory Board at Assoc. Ind. Portuense |
| Since 2005 | Member of Superior Board at the MBA Former Student's Association |
| 2013/2016 | President of the Supervisory Board of BCSD |
| Since 2006 | Member of Advisory Board at Engineering and Management of IST |
| Since 2016 | Member of the Advisory Board of CELPA – Associação da Indústria Papeleira |

The other companies where he carries out management functions as of 31 December 2016, are as follows:

- A Nossa Aposta – Jogos e Apostas On-Line, SA. (a)
- Actium Capital, SGPS, S.A. (a)
- Alteria, S.G.P.S., S.A. (a)
- Altri Abastecimento de Madeira, S.A. (a)
- Altri Participaciones Y Trading, S.L. (a)
- Altri, SGPS, S.A. (a)
- Articulado – Actividades Imobiliárias, S.A. (a)

- Base Holding, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Caima Energia – Emp. Gestão e Exploração de Energia, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Cofihold - SGPS, S.A. (a)
- Cofina Media, S.A.
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Storax, S.A. (a)
- Santos Fernandes & Vieira Matos, Lda. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)

(a) – Companies that, as of 31 December 2016 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group

João Manuel Matos Borges de Oliveira

Being also one of the founders of Cofina, he has been involved in the Group's management since its incorporation. Graduated from the Porto University with a degree in Chemical Engineering, holds an MBA at INSEAD. He develops his activity in the media and industrial operations, as well as in the strategic definition of the Group. Is a shareholder of the Company since 1990 and has also been appointed Director as from the same date.

In addition to the Companies where he currently exercises functions of administration, his professional experience includes:

| | |
|-----------|---|
| 1982/1983 | Assistant Director of Production at Cortal |
| 1984/1985 | Production Director at Cortal |
| 1987/1989 | Marketing Director at Cortal |
| 1989/1994 | General Director at Cortal |
| 1989/1995 | Vice President of the Board at Cortal |
| 1989/1994 | Director at Seldex |
| 1996/2000 | Non-executive Director at Atlantis, S.A. |
| 1997/2000 | Non-executive Director at Vista Alegre, S.A. |
| 1998/1999 | Director at Efacec Capital, SGPS, S.A. |
| 2008/2011 | Non-executive director of ZON Multimédia, SGPS, S.A. |
| 2008/2015 | President of the Supervisory Board of Porto Business School |
| 2011/2013 | Member of ISCTE-IUL CFO Advisory Form |

The other companies where he carries out management functions as of 31 December 2016 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri Abastecimento de Madeira, S.A. (a)
- Altri Participaciones Y Trading, S.L. (a)
- Altri, SGPS, S.A. (a)
- Base Holding, SGPS, S.A. (a)
- Caderno Azul, S.G.P.S., S.A. (a)

- Caima – Indústria de Celulose, S.A. (a)
- Caima Energia – Emp. Gestão e Exploração de Energia, S.A. (a)
- Captaraíz – Unipessoal, Lda. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Celtejo – Empresa de Celulose do Tejo, S.A. (a)
- Cofina Media, S.A.
- Cofihold SGPS, S.A. (a)
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Indaz, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Storax, S.A. (a)
- Storax Limited. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal – Afir, S.A. (a)

(a) – Companies that, as of 31 December 2016 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Domingos José Vieira de Matos

He was one of the founders of Cofina, and has been directly involved in the Group's management since its incorporation. He holds a degree in Economics from the Faculty of Economy of the University of Oporto. He initiated his career in management in 1978. He is shareholder of the Company since 1990 and has been Director since that date.

In addition to the Companies where he currently exercises his duties as Director, his professional experience includes:

| | |
|-----------|--|
| 1978/1994 | Director at CORTAL, S.A. |
| 1983 | Founding Partner of PROMEDE – Produtos Médicos, S.A. |
| 1998/2000 | Director at ELECTRO CERÂMICA, S.A. |

The other companies where he carries out management functions as of 31 December 2016 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri Florestal, S.A. (a)
- Altri, SGPS, S.A. (a)
- Base Holding, SGPS, S.A. (a)
- Caima – Indústria de Celulose, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Cofihold SGPS, S.A. (a)
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Livrefluxo, S.G.P.S., S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Storax, S.A. (a)

- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal - Afir, S.A. (a)

(a) – Companies that, as of 31 December 2016 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Pedro Miguel Matos Borges de Oliveira

He holds a degree in Financial Management by Instituto Superior de Administração e Gestão do Porto. In 2000 he concluded the Executive MBA at Instituto Empresarial Portuense in partnership with ESADE – Business School of Barcelona, currently Católica Porto Business School. In 2009, he attended the Course of Business Valuation at EGE – Escola de Gestão Empresarial. He is director of the Company since May 2009.

Besides other companies where he currently exercises duties of Director, his professional experience includes:

| | |
|-----------|---|
| 1986/2000 | Management advisor of FERÁGUEDA, Lda. |
| 1992 | Director of Bemel, Lda. |
| 1997/2000 | Assistant manager of GALAN, Lda. |
| 1999/2000 | Assessor of the direction of the saws and tools department of F. Ramada, Aços, S.A. |
| 2000 | Director of the Department of Saws and Tools of F. Ramada, S.A. |
| 2006 | Director of Universal Afir, S.A. |
| 2009 | Director of F. Ramada Investimentos, S.G.P.S., S.A. |
| 2014 | Director of Altri, S.G.P.S., S.A. |

The other companies where he carries out management functions as of 31 December 2016 are as follows:

- Alteria, S.G.P.S., S.A. (a)
- Altri Florestal, S.A. (a)
- Altri, SGPS, S.A. (a)
- Celulose Beira Industrial (Celbi), S.A. (a)
- Cofihold SGPS, S.A. (a)
- Elege Valor, S.G.P.S., S.A. (a)
- F. Ramada Investimentos, S.G.P.S., S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Storax, S.A. (a)
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A. (a)
- Universal - Afir, S.A. (a)
- Valor Autêntico, S.G.P.S., S.A. (a)
- 1 Thing, Investments, S.G.P.S., S.A. (a)

(a) – Companies that, as of 31 December 2016 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

Ana Rebelo de Carvalho Menéres de Mendonça

This director has a Degree in Economics by Universidade Católica Portuguesa in Lisbon, having been appointed as Director of the Company since May 2009.

Besides other companies where she currently exercises duties of Director, her professional experience includes:

| | |
|------|---|
| 1995 | Journalist in the economic segment of the newspaper Semanário Económico |
| 1996 | Commercial department of Citibank |
| 1996 | Director at Promendo, S.A. |
| 2009 | Director at PROMENDO, SGPS, S.A. |

The other companies where she carries out management functions as of 31 December 2016 are as follows:

- Altri, SGPS, S.A. (a)
- Cofihold, SGPS, S.A. (a)
- F. Ramada II Imobiliária, S.A. (a)
- F. Ramada Investimentos, SGPS, S.A. (a)
- Promendo, SGPS, S.A. (a)
- Préstimo – Prestígio Imobiliário, S.A. (a)
- Ramada Aços, S.A. (a)
- Ramada Storax, S.A. (a)

(a) – Companies that, as of 31 December 2016 cannot be considered to be part of Cofina, S.G.P.S., S.A. Group.

2. Supervisory Board

Qualifications, experience and positions held in other companies by members of the Supervisory Board:

Pedro Nuno Fernandes de Sá Pessanha Da Costa

Qualifications:

Degree in Law from the Faculty of Law of the University of Coimbra in 1981

Complimentary training in Company Management and Economic and Financial Analysis at the School of Law of the Portuguese Catholic University, Porto, 1982 and 1983.

Professional Experience:

Member of the Lawyers Association ("Ordem dos Advogados") since 1983

President of the General and Supervisory Board of a public company from 1996 to 2010,

President of the General Shareholders Meeting of several listed and non-listed companies

Continuous law practice since 1983, with a special focus on commercial law and corporate law, mergers and acquisitions, foreign investment and international contracts

Co-author of the chapter on Portugal in "Handbuch der Europäischen Aktien-Gesellschaft" – Societas Europaea – by Jannot / Frodermann, published by C.F. Müller Verlag

Other positions held:

President of the Supervisory Board of Banco Português de Investimento, S.A. (a)

President of the Supervisory Board of Altri, SGPS, S.A. (a)

President of the Supervisory Board of F. Ramada Investimentos, SGPS, S.A. (a)

Member of the Altri, SGPS, S.A. Remuneration Committee (a)

Member of the F. Ramada Investimentos, SGPS, S.A. Remuneration Committee (a)

President of the Shareholders General Meeting of Unicer Bebidas, S.A. (a)

President of the Shareholders General Meeting of SOGRAPE, SGPS, S.A. (a)

President of the Shareholders General Meeting of SOGRAPE Vinhos, S.A. (a)

President of the SOGRAPE SGPS, S.A. Remuneration Committee (a)

President of the Shareholders General Meeting of Base Holding, SGPS, S.A. (a)

President of the Shareholders General Meeting of Adriano Ramos Pinto, S.A. (a)

President of the Shareholders General Meeting of Aquitex – Acabamentos Químicos Têxteis, S.A. (a)

Honorary Consul of Belgium in Oporto (a)

Vice-President of Board of Directors of Associação do Corpo Consular do Porto (a)

(a) – companies that, as of 31 December 2016, cannot be considered as part of the Cofina, SGPS, SA group.

André Seabra Ferreira Pinto

Qualifications:

Degree in Economics at University Portucalense

Chartered Accountant (ROC no. 1,243)

Executive MBA - Management School of Porto - University of Porto Business School

Professional Experience:

Between September 1999 and May 2008, worked in the Audit Department of Deloitte & Associados, SROC,

SA (initially as a member of staff and since September 2004 as Manager).
Between June 2008 and December 2010, Senior Manager of Corporate Finance department - Transaction Services at Deloitte Consulting.
Between January 2011 and March 2013, CFO of companies WireCoWorldGroup Group in Portugal (a)
Since April 2013, Director (CFO) of Mecwide Group (a)
Director of MWIDE, SGPS, S.A., as well as of the remaining companies of Mecwide Group (a)
Manager of the companies Together We Change Investments, Lda. (a), Virtusai, Lda. (a) and Apparently Relevant, Lda. (a)

Other positions held:

Member of the Supervisory Board of Altri, SGPS, S.A. (a)
Member of the Supervisory Board of F. Ramada Investimentos, SGPS, S.A. (a)

(a) – companies that, as of 31 December 2016, cannot be considered as part of the Cofina, SGPS, SA group.

José Guilherme Barros Silva

Qualifications:

1990-1995 Degree in Business Administration and Management, Portuguese Catholic University

Professional Experience:

1995-1997 IC, Arthur Andersen, SC
1997-2010 Vice President of the Board of Directors, Detipin - Comércio de Vestuário, SA. (a)
2004- Member of the Board of Directors, SEF - Serviços de Saúde e Fisioterapia, SA. (a)
2005-2010 Member of the Board of Directors, Globaljeans - Comércio de Vestuário, SA (a)
2005- Vice-President of the Board of Directors, SEF - Serviços de Saúde e Fisioterapia, SA. (a)
2005-2009 Vice President of the Board of Directors, AH Business, SGPS, SA (a)
2006- Member of the Board of Directors, Fisiofafe, SA. (a)
2009- Member of the Board of Directors, Clínica de S. Cosme de Gondomar II, Fisioterapia, SA. (a)
2011- President of the Board of Directors, GNG – Comércio de Vestuário, SA. (a)

Other positions held:

Member of the Supervisory Board of Altri, SGPS, S.A. (a)
Member of the Supervisory Board of F. Ramada Investimentos, SGPS, S.A. (a)

(a) – companies that, as of 31 December 2016, cannot be considered as part of the Cofina, SGPS, SA group.

Article 447 of the Commercial Companies Code and Article 14, paragraph 7, of Portuguese Securities Regulator (CMVM) Regulation no. 5/2008

Disclosure of shares and other securities held by members of the Board of Directors and by those discharging managerial responsibilities, as well as by people closely connected with them (article 248 B of the Securities Code), and disclosure of the respective transactions during the year involving such shares and other securities.

| Members of the Board of Directors | Shares held at 31-Dec- | | | Shares held at 31-Dec- |
|--|------------------------|-------------|-----------|------------------------|
| | 2015 | Aquisitions | Disposals | 2016 |
| Paulo Jorge dos Santos Fernandes (imputation through ACTIUM CAPITAL - SGPS, S.A) | 13,386,332 | - | - | 13,386,332 |
| João Manuel Matos Borges de Oliveira (imputation through INDAZ, S.A) | 15,400,000 | - | - | 15,400,000 |
| Domingos José Vieira de Matos (imputation through LIVREFLUXO - SGPS, S.A) | 12,395,257 | - | - | 12,395,257 |
| Pedro Miguel Matos Borges de Oliveira | 7,719,360 | - | - | 7,719,360 |
| Ana Rebelo Mendonça (imputation through PROMENDO - SGPS, S.A) | 20,488,760 | - | - | 20,488,760 |

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016



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IV. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 34)

(Amounts expressed in Euro)

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016 AND 2015

(Translation of financial statements originally issued in Portuguese - Note 34)

(Amounts expressed in Euro)

| <u>ASSETS</u> | <u>Notes</u> | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|--------------|--------------------|--------------------|
| NON CURRENT ASSETS: | | | |
| Tangible fixed assets | 7 | 3,169,478 | 4,466,425 |
| Goodwill | 6 | 84,777,180 | 88,789,577 |
| Intangible assets | 8 | 130,544 | 191,706 |
| Investments in associated companies | 4 | 3,266,782 | 3,141,284 |
| Investments available for sale | 4 | 9,080 | 9,080 |
| Investments measured at fair value through profit and loss | 9 | - | 16,933 |
| Other non current debtors | 9 and 14 | - | 350,000 |
| Other non current assets | 9 and 15 | 32,383 | 1,592,676 |
| Deferred tax assets | 10 | 547,120 | 1,573,715 |
| Total non current assets | | 91,932,567 | 100,131,396 |
| CURRENT ASSETS: | | | |
| Inventories | 11 | 1,808,928 | 1,991,290 |
| Customers | 9 and 12 | 10,223,150 | 9,712,319 |
| State and other public entities | 9 and 13 | 894,477 | 905,275 |
| Other current debtors | 9 and 14 | 264,777 | 392,502 |
| Other current assets | 9 and 15 | 7,181,278 | 7,920,681 |
| Cash and cash equivalents | 9 and 16 | 9,403,739 | 8,193,580 |
| Total current assets | | 29,776,349 | 29,115,647 |
| TOTAL ASSETS | | 121,708,916 | 129,247,043 |
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS: | | | |
| Share capital | 17 | 25,641,459 | 25,641,459 |
| Share premium | 17 | 15,874,835 | 15,874,835 |
| Legal reserve | 17 | 5,409,144 | 5,409,144 |
| Conversion reserves | | (594,244) | (1,234,642) |
| Other reserves | | (24,663,549) | (28,186,288) |
| Consolidated net profit for the year attributable to equity holder of the parent company | | 4,333,011 | 5,061,226 |
| Equity attributable to equity holder of the parent company | | <u>26,000,656</u> | <u>22,565,734</u> |
| Non-controlling interests | | - | - |
| TOTAL EQUITY | | 26,000,656 | 22,565,734 |
| LIABILITIES: | | | |
| NON CURRENT LIABILITIES: | | | |
| Other long-term loans | 9 and 18 | 33,158,397 | 49,521,018 |
| Other non current creditors | 9, 19 and 22 | 33,929 | 15,090 |
| Provisions | 20 | 7,790,467 | 12,485,094 |
| Total non current liabilities | | 40,982,793 | 62,021,202 |
| CURRENT LIABILITIES: | | | |
| Other loans | 9 and 18 | 33,546,302 | 17,989,994 |
| Suppliers | 9 and 21 | 8,773,388 | 12,467,270 |
| State and other public entities | 9 and 13 | 3,107,294 | 3,292,142 |
| Other current creditors | 9, 19 and 22 | 1,420,964 | 2,490,579 |
| Other current liabilities | 9 and 23 | 7,877,519 | 8,420,122 |
| Total current liabilities | | 54,725,467 | 44,660,107 |
| TOTAL LIABILITIES | | 95,708,260 | 106,681,309 |
| TOTAL EQUITY AND LIABILITIES | | 121,708,916 | 129,247,043 |

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

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IV. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 34)

(Amounts expressed in Euro)

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURES FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Translation of financial statements originally issued in Portuguese - Note 34)

(Amounts expressed in Euro)

| | <u>Notas</u> | <u>31.12.2016</u> | <u>31.12.2015</u> |
|-------------------------------------|--------------|-------------------|-------------------|
| Sales | 24 and 28 | 51,137,639 | 52,848,231 |
| Services rendered | 24 and 28 | 32,964,896 | 33,802,815 |
| Other income | 24 and 28 | 15,823,029 | 14,024,615 |
| Cost of sales | 11 | (12,310,113) | (12,757,681) |
| Supplies and Services | 25 | (41,440,830) | (41,162,891) |
| Personnel Costs | 26 | (31,626,594) | (31,493,522) |
| Amortisation and depreciation | 7 and 8 | (2,214,577) | (2,892,150) |
| Provisions and impairment losses | 20 | (698,758) | 57,094 |
| Other expenses | | (336,795) | (278,905) |
| Results from associated companies | 27 | (1,992,280) | (931,676) |
| Financial expenses | 27 | (3,215,606) | (3,049,772) |
| Financial income | 27 | 6,443 | 211,031 |
| Profit before income tax | | 6,096,454 | 8,377,189 |
| Income tax | 10 | (1,763,443) | (3,315,963) |
| Net profit for the year | | 4,333,011 | 5,061,226 |
| Attributable to: | | | |
| Shareholders' of the Parent Company | | 4,333,011 | 5,061,226 |
| Non-controlling interests | | - | - |
| Earnings per share: | | | |
| Basic | 30 | 0.04 | 0.05 |
| Diluted | 30 | 0.04 | 0.05 |

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

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(Amounts expressed in Euro)

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Translation of financial statements originally issued in Portuguese - Note 34)

(Amounts expressed in Euro)

| | <u>Notes</u> | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|--------------|-------------------|-------------------|
| Net consolidated profit for the year | | 4,333,011 | 5,061,226 |
| Other comprehensive income: | | | |
| Items that will be reclassified to net income: | | | |
| Exchange differences on translation of foreign operations | | 640,398 | (684,227) |
| Total comprehensive income for the year | | <u>4,973,409</u> | <u>4,376,999</u> |
| Attributable to: | | | |
| Shareholders' of the Parent Company | | 4,973,409 | 4,376,999 |
| Non-controlling interests | | <u>-</u> | <u>-</u> |

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

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IV. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 34)

(Amounts expressed in Euro)

COFINA SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Translation of financial statements originally issued in Portuguese - Note 34)
(Amounts expressed in Euro)

| Notes | Attributable to equity holders of the Parent Company | | | | | | | Non-controlling interests | Total Equity |
|--|--|---------------|---------------|------------------------------|----------------|-----------------|-------------|---------------------------|--------------|
| | Share capital | Share premium | Legal reserve | Reservas Conversion reserves | Other reserves | Net profit/loss | Total | | |
| Balance as of 1 January 2015 | 25,641,459 | 15,874,835 | 5,409,144 | (550,415) | (32,363,232) | 6,173,887 | 20,185,678 | 90,981 | 20,276,659 |
| Appropriation of consolidated net profit for 2014: | | | | | | | | | |
| Transfer to legal reserve and retained earnings | - | - | - | - | 4,122,570 | (4,122,570) | - | - | - |
| Dividend distribution | - | - | - | - | - | (2,051,317) | (2,051,317) | - | (2,051,317) |
| Change in reserves and non-controlling interests: | | | | | | | | | |
| Outras variações | - | - | - | - | 54,374 | - | 54,374 | (90,981) | (36,607) |
| Other changes | - | - | - | (684,227) | - | 5,061,226 | 4,376,999 | - | 4,376,999 |
| Balance as of 31 December 2015 | 25,641,459 | 15,874,835 | 5,409,144 | (1,234,642) | (28,186,288) | 5,061,226 | 22,565,734 | - | 22,565,734 |
| Balance as of 1 January 2016 | 25,641,459 | 15,874,835 | 5,409,144 | (1,234,642) | (28,186,288) | 5,061,226 | 22,565,734 | - | 22,565,734 |
| Appropriation of consolidated net profit for 2015: | | | | | | | | | |
| Transfer to legal reserve and retained earnings | - | - | - | - | 3,522,739 | (3,522,739) | - | - | - |
| Dividend distribution | - | - | - | - | - | (1,538,487) | (1,538,487) | - | (1,538,487) |
| 31 Total comprehensive income for the year | - | - | - | 640,398 | - | 4,333,011 | 4,973,409 | - | 4,973,409 |
| Balance as of 31 December 2016 | 25,641,459 | 15,874,835 | 5,409,144 | (594,244) | (24,663,549) | 4,333,011 | 26,000,656 | - | 26,000,656 |

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

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IV. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 34)

(Amounts expressed in Euro)

COFINA, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Translation of financial statements originally issued in Portuguese - Note 34)

(Amounts expressed in Euro)

| | Notes | 2016 | | 2015 | |
|---|-------|--------------------|-------------------------|---------------------|-------------------------|
| Operating activities: | | | | | |
| Collections from customers | | 103,791,687 | | 104,052,860 | |
| Payments to suppliers | | (58,610,641) | | (52,249,092) | |
| Payments to personnel | | (32,423,067) | | (32,091,439) | |
| Other collections/payments relating to operating activities | | (809,624) | | (778,763) | |
| Corporate Income Tax | | (3,972,029) | 7,976,326 | (1,580,830) | 17,352,736 |
| <i>Cash flow from operating activities (1)</i> | | | <u>7,976,326</u> | | <u>17,352,736</u> |
| Investment activities: | | | | | |
| Collections relating to: | | | | | |
| Financial investments | 16 | 125,000 | | 765,900 | |
| Fixed tangible assets | | 1,275 | | - | |
| Interest and similar income | | 1,062 | | 11,381 | |
| Dividends | 16 | <u>200,000</u> | 327,337 | <u>234,100</u> | 1,011,381 |
| Payments relating to: | | | | | |
| Financial investments | 16 | (477,450) | | (1,575,000) | |
| Intangible assets | | (300,298) | | (240,693) | |
| Tangible fixed assets | | (760,039) | | (1,064,218) | |
| Loans granted | 16 | <u>(300,000)</u> | (1,837,787) | - | (2,879,911) |
| <i>Cash flow from investment activities (2)</i> | | | <u>(1,510,450)</u> | | <u>(1,868,530)</u> |
| Financing activities: | | | | | |
| Collections relating to: | | | | | |
| Loans obtained | | <u>1,000,000</u> | 1,000,000 | <u>5,022,399</u> | 5,022,399 |
| Payments relating to: | | | | | |
| Lease contracts amortization | | (61,413) | | (29,405) | |
| Interest and similar costs | | (2,376,452) | | (2,935,130) | |
| Dividends | 31 | (1,538,487) | | (2,051,317) | |
| Supplementary installments | 16 | (250,000) | | - | |
| Loans obtained | | <u>(2,029,365)</u> | (6,255,717) | <u>(15,223,703)</u> | (20,239,555) |
| <i>Cash flow from financing activities (3)</i> | | | <u>(5,255,717)</u> | | <u>(15,217,156)</u> |
| Cash and cash equivalents at the beginning of the year | 16 | | 8,193,580 | | 7,926,530 |
| Cash and cash equivalents variation: (1)+(2)+(3) | | | <u>1,210,159</u> | | <u>267,050</u> |
| Cash and cash equivalents at the end of the year | 16 | | <u><u>9,403,739</u></u> | | <u><u>8,193,580</u></u> |

The accompanying Notes form an integral part of the consolidated financial statements.

The Chartered Accountant

The Board of Directors

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IV. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 34)

(Amounts expressed in Euro)

1. INTRODUCTION

Cofina, SGPS, S.A. ("Cofina" or "Company") is a public company, with headquarters located at Rua General Norton de Matos, 68, r/c in Porto and has its shares listed in the Euronext Lisbon Stock Exchange. Cofina is the Parent company of a group of companies detailed in Note 4, commonly designated as Cofina Group, and its main activity is the management of investments in the Media sector (written press).

Cofina Group owns headings of reference in the respective segments, editing titles like newspapers "Correio da Manhã", "Record", "Jornal de Negócios", "Destak", as well as the magazines "Sábado", "TV Guia" and "Flash!", among others. Additionally, since 2013, Cofina Group has incorporated in its portfolio the broadcasting of the television channel "CMTV".

During the years ended as of 31 December of 2016 and 2015, Cofina Group developed its activity mainly in Portugal, having also some interests in Brazil, through the investments in the associated company Destak Brasil and in the subsidiary Adcom Media (Note 4).

Cofina's consolidated financial statements are expressed in Euro (rounded to the nearest unit). This is the currency used by the Group in its operations and as such, considered its functional currency. The operations of the foreign group companies whose functional currency is not the Euro are included in the consolidated financial statements in accordance with the policy established in Note 2.2.d).

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

The basis of presentation and main accounting policies adopted in the preparation of the consolidated financial statements are as follows:

2.1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the Entity and its subsidiaries and associates, in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2016. These standards correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and respective interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the Standing Interpretation Committee ("SIC"), that have been adopted by the European Union at the date of the financial statements publication.

The Board of Directors assessed the ability of the Company, its subsidiaries and associates' to operate on a going concern basis, by using all the available relevant information, facts and circumstances, of financial, commercial nature or other, including subsequent events at the reference date of the financial statements, available for the future. In result of the evaluation performed, the Board of Directors concluded that adequate resources are available to maintain the activities, having no intention to cease its activities in the short term, by which it considered that the use of the going concern basis in the preparation of the financial statements is appropriate.

Additionally, for financial reporting purposes, the fair value measurement is categorized in levels 1, 2 and 3, according to the level in which the used assumptions are observable and its significance, in what concerns to the fair value valuation, used in the

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measurement of assets/liabilities or its disclosure.

Level 1 – Fair value is determined based on active market prices for identical assets and liabilities;

Level 2 – The fair value is determined based on data other than market prices identified in level 1 but they are possible to be observable, and;

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not based on observable market data.

The Interim financial statements were presented quarterly, in accordance with IAS 34 – “Interim Financial Report”.

1. Standards, interpretations, amendments and revisions which have mandatory application in the financial year ended as of 31 December 2016:

The following standards, interpretations, amendments and revisions were endorsed by the European Union and have mandatory application for the first time in the financial year ended as of 31 December 2016:

| Standard / Interpretation | Applicable in the European Union in the years starting on or after | |
|---|--|--|
| Amendment to IAS 19 – Employee benefits – Employee contribution | 1-Feb-15 | Clarifies under which circumstances employees’ contributions to post-employment benefit plans consist of a decrease in the cost of short term benefits. |
| Improvements to international financial statement standards (2010-2012 cycle) | 1-Feb-15 | These improvements involve the clarification of some aspects relating to: IFRS 2 – Share based payment: definition of the vesting condition; IFRS 3 – Business combinations: recording of contingent payments; IFRS 8 – Operating segments: disclosures relating to the judgment applied to the aggregation of segments and clarification of the need to reconcile total assets by segment with the amount of the assets in the financial statements; IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: need to proportionately revalue accumulated amortization in the case of the revaluation of fixed assets; and IAS 24 – Related Parties disclosures: defines that an entity that renders management services to the Company or its parent company is considered a related party; and IFRS 13 – Fair value measurement: clarification relating to the measurement of short term receivables or payables. |
| Improvements to international financial statement standards (2012-2014 cycle) | 1-Jan-16 | These improvements involve the clarification of some aspects relating to: IFRS 5 – Noncurrent assets held for sale and discontinued operations units: introduces guidelines on how to proceed in the case of changes as to the expected realization method (sale or distribution to the shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impact of asset monitoring contracts under the disclosures relating to continued involvement of derecognized investments, and exempts the |

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| | | |
|---|----------|---|
| | | <p>interim financial statements from the disclosures required relating to the compensation of financial assets and liabilities; IAS 19 – Employee benefits: defines that the rate to be used to discount defined benefits must be determined by reference to high quality bonds of companies issued in the currency that the benefits will be paid; and IAS 34 – Interim financial statements: clarification on the procedures to be used when the information is available in other documents issued together with the interim financial statements.</p> |
| Amendment to IFRS 11 – Joint Agreements – Recording of acquisitions of interests in joint agreements | 1-jan-16 | <p>This amendment relates to the acquisition of interests in joint operations. It establishes the requirement to apply IFRS 3 when the joint operation acquired consists of a business activity in accordance with IFRS 3. When the joint operation in question does not consist of a business activity, the transaction must be recorded as the acquisition of assets. This amendment is of prospective application to new acquisitions of interests.</p> |
| "Amendment to IAS 1 – Presentation of Financial Statements - "Disclosure initiative" | 1-jan-16 | <p>This amendment clarifies some aspects relating to disclosure initiatives, namely: (i) the entity must not make it difficult to understand the financial statements by the aggregation of significant items with insignificant items or the aggregation of significant items of different natures; (ii) the disclosures specifically required by the IFRS need only to be provided if the information in question is significant; (iii) the lines in the financial statements specified by IAS 1 can be aggregated or segregated in accordance with what is significant in relation to the objectives of the financial statement; (iv) the part of other recognized income resulting from the application of the equity method in associates and joint agreements must be presented separately from the remaining elements of other recognized income, also segregating the items that can be reclassified to the statement of profit and loss from those that will not be reclassified; (v) the structure of the notes must be flexible, and should follow the following order:</p> <ul style="list-style-type: none">• a declaration of compliance with the IFRS's in the first section of the notes;• a description of the significant accounting policies in the second section;• supporting information for the items on the financial statements in the third section; and• other information in the fourth section. |
| Amendment to IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets – Acceptable depreciation and amortization methods | 1-jan-16 | <p>This amendment establishes the presumption (that can be refuted) that income is not an appropriate basis for amortizing an intangible asset and forbids the use of income as a basis for depreciating tangible fixed assets. The presumption established for amortizing intangible assets can only be refuted when the intangible asset is expressed based on the income generated or when utilization of the financial benefits is significantly related to the income generated.</p> |
| Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – Production plants | 1-jan-16 | <p>This amendment excludes plants that produce fruits or other components used for harvesting and/or removal under the application of IAS 41, becoming covered by IAS 16.</p> |

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| | | |
|---|----------|---|
| Amendment to IAS 27 – Application of the equity method on separate financial statements | 1-jan-16 | This amendment introduces the possibility of measuring interests in subsidiaries, joint agreements and associates in separate financial statements in accordance with the equity method, in addition to the measurements methods presently existing. This change applies retrospectively. |
| Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 - Disclosures of Interests in Other Entities and IAS 28 – Investments in Associates and Joint Ventures | 1-jan-16 | These amendments clarify some aspects related to the application of consolidation exception by investment entities. |

The effect of adopting the above standards, interpretations and amendments on the Group's consolidated financial statements for the year ended 31 December 2016 was not significant.

2. Standards, interpretations, amendments and revisions with mandatory application in future years

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were endorsed by the European Union, until the approval date of the accompanying financial statements:

| Standard/Interpretation | Applicable in the European Union in the years starting on or after | |
|---|--|---|
| IFRS 9 – Financial Instruments (2009) and subsequent amendments | 1-Jan-18 | This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules. |
| IFRS 15 – Revenue from Client Contracts | 1-Jan-18 | This standard introduces a structure for recognizing revenue based on principles and a model to be applied to all contracts entered into with clients, replacing IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the construction of Real Estate; IFRIC 18 – Transfer of assets from customers and SIC 31 – Revenue – Barter transactions involving advertising. |

The Group does not estimate significant impacts in consequence of the adoption of these standards.

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3. Standards, interpretations, amendments and revisions not endorsed by the European Union

The following standards, amendments and revisions applicable to future years have not been endorsed by the European Union up to the date of approval of these financial statements:

| <u>Standard / Interpretation</u> | |
|--|--|
| IFRS 14 – Regulated assets | This standard establishes the financial statement requirements of entities that adopt for the first time IFRS standards applicable to regulated assets. |
| IFRS 16 – Leases | This standard introduced the principles for the recognition and measurement of leases, replacing IAS 17 – Leases. The standard defines a single model for recording lease contracts, which results in the recognition by the lessor of assets and liabilities for all lease contracts, except for those for periods of less than twelve months or for leases of assets of reduced value. Lessors will continue to classify leases between operating and finance leases, IFRS 16 not produce substantial changes for such entities in relation to IAS 17. |
| Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Jointly Controlled Entities | These amendments eliminate the conflict existing between these standards, relating to the sale or the contribution of assets between the investor and the associate or between the investor and the jointly controlled entity. |
| Amendments to IAS 12 - Income Taxes | These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses. |
| Amendments to IAS 7 – Statement of Cash Flows | These amendments introduce additional disclosures related to the cash flows of financing activities. |
| Amendments to IFRS 15 – Revenue from Client Contracts | These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics. |
| Amendments to IFRS 2 – Share-based payment | These amendments introduce a number of clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; recording of modifications in share-based payments transactions (from cash-settled to settled with equity instruments); (iii) the classification of cleared settlement transactions. |
| Amendments to IFRS 4 – Insurance Contracts | These amendments give some orientations about the application of IFRS 4 in addition with IFRS 9. |
| Amendment to IAS 40 – Investment properties | These amendments clarify that the change of classification from or to investment property should only be done when there are evidences of changes in the asset use. |

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| | |
|---|--|
| Improvements to international financial reporting standards (cycle 2014-2016) | This improvements include the clarification of some aspects related to: IFRS 1 - First Time Adoption of International Financial Reporting Standards: elimination of some short-term exemptions; IFRS 12 - Disclosure of Interests in Other Entities: clarification of the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in Associates and Joint Ventures: introduction of several clarifications about the measurement at fair value of results from investments in associates or joint ventures held by venture capital companies or investment funds. |
| IFRIC 22 – Foreign Currency Transactions and Advances | This interpretation establishes the date of the initial recognition of the advance or deferred income and the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue. |

These standards have not yet been endorsed by the European Union and therefore have not been applied by the Group in the year ended December 31, 2016.

The accounting policies and measurement criteria adopted by the Group as of December 31, 2016 are comparable with those used in the preparation of the consolidated financial statements as of December 31, 2015.

In the preparation of the consolidated financial statements, in accordance with the IAS/IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and expenses in relation to the reported periods. All the estimates and assumptions made by the Board of Directors were made on the basis of its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

The accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors believes that they will be approved without changes.

2.2 CONSOLIDATION POLICIES

The consolidation policies adopted by the Group in the preparation of the consolidated financial statements are as follows:

a) Investments in group companies

The companies where the Group has control, i.e., where it has, cumulatively: (i) power over the investee; (ii) is exposed to, or has the right over variable results by the relationship it has with the investee; and (iii) has the capability to use its power to affect the amount of the results of the investee, are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption "Non-controlling interests", in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 4.

In business combinations occurred after the date of transition to the International Financial Reporting Standards as adopted by the European Union – IFRS (1 January 2004), the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition in accordance with IFRS 3 - "Business Combinations", with this measurement able to be concluded until 12

months after acquisition date. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired (including contingent liabilities) is recognised as goodwill. Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognised as an income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value attributed to the net assets acquired. Non-controlling interests are presented according to their share in the fair value of the acquired identifiable assets and liabilities.

The results of subsidiaries acquired or disposed during the period are included in the consolidated statement of profit and loss from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities" – SPE's), even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2016, these types of entities did not exist in the consolidated financial statements.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are subsequently adjusted in accordance with the Group's participation in the associated company's net result. Additionally, the dividends of the subsidiary are recorded as a reduction in the investment's book value, and the Group's proportion in the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill, which is included in the caption "Investments in associated companies". If that difference is negative, it is recorded as a gain in the caption "Gains and losses in associated companies" after reassessment of the fair value of the identifiable assets and liabilities acquired.

An evaluation of investments held (and loans conceded) in associated companies is performed whenever there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period in the caption "Gains and losses in associated companies". When those losses recorded in previous periods are no longer applicable, they are reverted in the statement of profit and loss for the period.

When the Group's share of losses in the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealised gains arising from transactions with associated companies are eliminated proportionally to the extent of the Group's

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interest in the associated company against the investment held. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

The financial investments in associated companies are detailed in Note 4.

c) Goodwill

The difference between the acquisition cost of financial investments in Group companies (subsidiaries), added by the amount of the non-controlling interests, and the attributable amount to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, is recorded under the caption "Goodwill" and, when negative, after reassessing its computation, is directly recorded in the statement of income. The differences between the acquisition cost of financial investments in associated companies and in jointly controlled entities and the amount attributable to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, are maintained in the caption "Investments in associated companies" and, when negative, after a reassessment of its computation, are directly recorded in the statement of income.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is performed using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal as of that date, and was then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained earnings", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recomputed retrospectively using the local currency of each subsidiary.

Cofina Group, on a transaction by transaction basis (for each business combination), will opt to measure any non-controlling interest in the acquired company either at fair value or by the proportional part of the non-controlling interest of the identifiable net assets of the acquired company. Until 1 January 2010, non-controlling interests were measured exclusively in accordance with the proportion of the fair value of the assets and liabilities acquired.

The amount of contingent future payments is recognised as a liability as at the date of the business combination in accordance with its fair value. Any change to the initially recognised amount is recorded against goodwill, but only if it occurs within the measurement period (12 months after acquisition date) and if it relates with events before the acquisition date. In any other situation, these changes are recorded against the income statement.

Transactions involving acquisitions or disposals of interests in already controlled entities, as long as they do not represent loss of control, are treated as transactions between shareholders, thus only affecting equity captions, without any impact in goodwill or results.

Whenever a disposal transaction determines a loss of control, all assets and liabilities of the entity should be derecognized, and any remaining interest in the disposed entity should be re-measured at fair value, being the resulting loss or gain recorded in the income statement.

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Goodwill is not amortised, but is subject to impairment tests on an annual basis. The recoverable amounts of cash generating units are determined based on the estimation of its value in use. The recovery amount is estimated to individual assets or, if not possible, for the cash-generating unit to which the asset belongs. These estimations require the use of assumptions based on estimates of future circumstances, which may be different from the expected outcomes. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption “Provisions and impairment losses”, and may not be reversed.

d) Translation of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The resulting exchange rate differences are recorded in equity captions.

Goodwill and adjustments to the fair value arising from the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate.

Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

Exchange rates used in the translation of foreign group associated companies are listed below:

| | 31 December 2016 | | 31 December 2015 | |
|----------------|------------------|--------------|------------------|--------------|
| | Year end | Year average | Year end | Year average |
| Brazilian real | 0.2915 | 0.2593 | 0.2319 | 0.2702 |

2.3 MAIN ACCOUNTING POLICIES

The main accounting policies used by Cofina Group in the preparation of its consolidated financial statements are as follows:

a) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Research costs incurred with new technical knowledge are recognised in the statement of profit and loss when incurred.

Development costs are recognised as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Internal costs related with maintenance and development of software are recorded as expenses in the statement of profit and loss for the period in which they are incurred, except when these costs are directly attributable to projects for which the existence

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of future economic benefits is likely. Being this the case, they are capitalized as intangible assets.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over its expected useful life (usually 3 to 5 years).

b) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date), are recorded at their respective deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal until that date, net of accumulated amortization and accumulated impairment losses.

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is available for use, over the expected useful life for each group of assets.

The depreciation rates used correspond to the following estimated useful lives:

| <u>Years</u> | |
|-----------------------------------|---------|
| Buildings and other constructions | 10 |
| Plant and machinery | 2 to 15 |
| Vehicles | 2 to 10 |
| Office equipment | 2 to 10 |
| Other tangible assets | 3 to 10 |

Maintenance and repair costs related to tangible assets which do not increase the useful life or result in significant benefits or improvements in tangible fixed assets are recorded as expenses in the period they are incurred.

Tangible assets in progress correspond to fixed assets still in construction and are stated at acquisition cost, net of impairment losses. These assets are depreciated from the date they are concluded or ready to be used.

Gains or losses arising from the sale or disposal of tangible assets are calculated as the difference between the selling price and the asset's net book value as at the date of its sale/disposal, and are recorded in the statement of profit and loss under the captions "Other income" or "Other expenses", respectively.

c) Lease contracts

Lease contracts are classified as (i) a financial lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the statement of financial position. In addition, interests included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 2.3.b), are recorded in the statement of profit and loss of the period to which they apply.

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Classifying a lease as financial or as operational depends on the substance of the transaction rather than on the form of the contract.

The operational lease instalments on assets acquired under long-term rental contracts are recognised in full as expenses in the period to which they refer to.

d) Impairment of assets, except for Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss under the caption "Provisions and impairment losses".

The recoverable amount is the higher of an asset's net selling price and its value of use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The value of use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when the Company concludes that the impairment losses previously recognised for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as "Other income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised for that asset in prior years.

e) Borrowing costs

Borrowing costs (interests) related with loans obtained are usually recognised as expenses in the statement of profit and loss for the period in which they are incurred, on an accrual basis.

When the Company becomes part of a loan agreement to specifically finance capital assets, the corresponding interests are capitalized, being part of the cost of the asset. The capitalization of these interests starts after the beginning of the preparation of the activities of construction, and ceases when the asset is ready for use or in case the project is suspended.

f) Inventories

Raw, subsidiary and consumable materials are stated at average acquisition cost, deducted from quantity discounts (rappel) granted by suppliers, which is lower than its market value.

Differences between the cost and the net realisable value of inventories, if negative, are shown as operating expenses under the caption "Provisions and impairment losses".

g) Provisions

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Provisions are recognised when, and only when, (i) the Group has an obligation (legal or constructive) arising from a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at each balance sheet date to reflect the best estimate of the Board of Directors as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to the affected parties.

When a provision is computed taking into consideration the cash flows necessary to eliminate such obligation, it is recorded by its net present value.

h) Pension complements

Whenever there are commitments to provide pension complements to employees retiring due to age or disability, the Group Companies record provisions to face such commitments, based in actuarial calculations prepared by specialized entities. These actuarial liabilities are calculated in accordance with the "Projected Unit Credit" method, using the actuarial financial assumptions considered to be the most adequate. As of 31 December 2016 there are no commitments associated with pension complements to employees or former employees.

i) Financial instruments

i) Investments

Investments held by the Group are classified in the following categories:

Financial investments at fair value through profit or loss: this category is divided into two subcategories: "Financial assets classified as held for trading" and "Financial assets designated by the Group at fair value through profit or loss". A financial asset is classified under this category if it is acquired principally for the purpose of selling it in the short term or its performance or investment strategy are analysed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

Held-to-maturity investments: this category includes non-derivative financial assets with fixed or variable reimbursements with fixed maturity, and for which the intention of the Board of Directors is to maintain them till its maturity.

Available-for-sale investments: this category includes the financial assets, non-derivatives, that are designated as available-for-sale and those that are not classified in the previous categories. This category is classified as non-current, unless the Board of Directors has the intention to sell the investment within 12 months from the balance sheet date.

Investments are initially measured at their acquisition cost, which is the fair value of the price paid, including transaction costs, if related with held to maturity and available for sale investments.

Investments available for sale and investments measured at fair value through profit and loss are subsequently measured at fair value by reference to its market value at the balance sheet date, without any deduction for transaction costs which may be

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incurred until its sale. Investments in equity instruments which are not listed on a stock exchange market and whose fair value cannot be reliably measured are stated at cost net of impairment losses. Investments held to maturity are recorded at amortised cost, using the effective interest method.

Gains or losses arising from a change in the fair value of available for sale investments are recognised under the equity caption "Fair value reserves" included in the caption "Other reserves", until the investment is sold or disposed, or until it is determined to be impaired, at which time the cumulative loss previously recognised in equity is transferred to profit or loss captions.

All purchases and sales of investments are recorded on its trade date, independently of the settlement date.

ii) Accounts receivable

The debts from customers and other debtors are recorded at their nominal amount and presented in the consolidated statement of financial position deduced from impairment losses recognised in the caption "Accumulated impairment losses", in order to reflect their net realizable value. The accounts receivable, when current, do not include interests given the immaterial impact of discounting the cash flows.

Impairment losses are recorded following events that indicate, objectively and in a quantifiable manner, that the whole or part of the balance in debt will not be received. For such, each company takes into consideration market information that demonstrates that:

- the counterpart presents significant financial difficulties;
- significant delays in the payments by the counterpart;
- it's probable that the debtor enters into insolvency or financial reorganization.

The recognized impairment losses correspond to the difference between the carrying amount of the accounts receivable and the present value of estimated future cash flows, discounted at the original effective interest rate that, in the cases where a receipt is expected in time period shorter than one year, is considered null as the effect of the discount was considered immaterial.

iii) Loans

Loans are recorded as liabilities at the respective nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

Assets and liabilities are compensated and presented by their net amount as long as there is the right for compulsory fulfilment of their compensation and the Board of Directors intends to realise them on a net basis or realise the asset and simultaneously settle the liability.

iv) Accounts payable

Non-interest bearing accounts payable are stated at their nominal value, which is roughly equivalent to their fair value.

v) Derivative instruments

The Group may use derivative instruments to manage its exposure to financial risks. Derivative instruments are only used for

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hedge accounting purposes. Derivative instruments are not used for speculation purposes.

The criteria used by the Group to classify the derivative instruments as cash flow hedges are as follows:

- At the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;
- Hedge effectiveness can be reliably measured;
- There is adequate documentation about the transaction at the inception of the hedge;
- The transaction to be hedged is highly probable to occur.

Cash flow hedges are initially recorded at cost, if any, and subsequently revaluated at their fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the caption "Hedging reserves", included in the caption "Other reserves". The gain or loss relating to the ineffective portion is recognized immediately in the income statement, when calculated.

In cases when the derivative instruments do not comply with the above mentioned requirements to be considered as a cash-flow hedge, although initially engaged for that purpose, the changes in its fair value are recognized directly in the profit and loss statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in equity is transferred immediately to the profit and loss of the year and the subsequent revaluations of the derivative are recorded in the income statement, or added to the carrying amount of the hedged asset. Subsequent revaluations are recorded directly in the income statement.

In the case of derivatives embedded in other financial instruments or contracts, these are treated as separate derivatives when the risks and characteristics are not closely related with the host contracts and when the contracts are not reflected by its fair value with unrealised gains and losses recognised in the income statement.

vi) Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for based upon its contractual substance, regardless of its legal form. Equity instruments are those that represent a residual interest upon the Group's net assets and are recorded by the amount received, net of the costs incurred with its issuance.

vii) Own shares

Own shares are recorded at acquisition cost as a deduction to equity. Gains and losses arising on its sale are recorded in the equity caption "Other reserves".

viii) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach its maturity within less than three months and may be mobilized without significant risk of change in value.

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For purposes of the consolidated statement of cash flows, “Cash and cash equivalents” caption also includes bank overdrafts, which are included in the balance sheet caption “Bank loans”.

j) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources will occur to settle the obligation or the obligation amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

k) Income tax

Income tax for the period is determined based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current taxes are computed based on the taxable profit of the consolidated companies, in accordance with the tax legislation in force in each company’s jurisdiction.

The companies based in Portugal included in the consolidation by the full consolidation method are taxed in accordance with the special regime for taxation of groups of companies (“Regime Especial de Tributação de Grupos de Sociedades” – “RETGS”), in accordance with article 69 of the Corporate Income Tax Code (Código do Imposto sobre o Rendimento das Pessoas Colectivas). Cofina, SGPS, S.A. is the dominant company of this group of companies.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes. Deferred taxes are computed and reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if related to items directly recorded in equity. In these cases the corresponding deferred tax is also recorded in equity captions.

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l) Revenue recognition and accrual basis

Revenue arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Sales of magazines and newspapers are recorded in the period they are distributed; the newspapers distribution is performed on a daily basis, and the magazines on a weekly, monthly or bi-monthly basis. Returns of unsold publications are recorded in the corresponding period, as a decrease of previously recorded income. Income arising from magazine and newspaper subscriptions is recognised over the subscription period (usually 1 year).

Services rendered regarding the sale of advertising space are recorded in the period in which the advertising is published. Quantity discounts relating to the sale of advertising space are recorded in the period to which they relate as a deduction of the caption "Services rendered".

Services rendered regarding television transmission rights are recorded in the period the service is provided.

Services rendered regarding printing activities are recognized in the period in which the services are rendered.

Dividends are recognised as income in the period its distribution is approved.

All other income and expenses are recognised in the period to which they relate, independently of when the amounts are received or paid. Differences between the amounts received and paid and the corresponding income and expenses are recorded in the captions of accrued and deferred expenses and income included in the captions "Other current assets" and "Other current liabilities".

m) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates in force as of the balance sheet date. Favourable and unfavourable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss.

n) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arisen after the balance sheet date ("non-adjusting events") are disclosed in the notes to the financial statements, if material.

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o) Segment information

In each period, the Company identifies the most adequate segment division taking into consideration the business areas in which the Group is represented and managed.

Information regarding the business segments identified is included in Note 32.

p) Cash flows statement

Consolidated cash flow statement is prepared, using the direct method, in accordance with IAS 7. The Group classifies as “Cash and cash equivalents” applications which mature in less than three months and which are subject to insignificant risk of change in value.

Consolidated cash flow statement is classified by operating, investing and financing activities. Operating activities include cash receipts from customers, cash payments to suppliers, cash payments to and on behalf of employees and other operating activities payments and receipts. Investing activities cash flows include, essentially, payments and receipts related with acquisitions and sales of tangible assets and investments. Financing activities cash flows include, essentially, payments and receipts of loans and borrowings, financial lease contracts and dividend payments.

q) Judgments and estimates

In the preparation of the Group's financial statements judgments and estimates have been made and different assumptions were used that affect the reported amounts of assets and liabilities, as well as the reported amounts of profits and losses of the year.

The estimates and underlying assumptions were determined based on the best existing knowledge as of the date of approval of the financial statements of the events and transactions in progress, as well as the experience of past and / or current events. However, situations may occur in subsequent periods which are not foreseeable at the date of approval of the financial statements, and were not considered in these estimates. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason and given the degree of uncertainty, actual results of the transactions in question may differ from the corresponding estimates.

The most significant accounting estimates reflected in the consolidated financial statements include:

- Impairment analysis of goodwill;
- Recognition of provisions and impairment losses;
- Recoverability of deferred tax assets;
- Useful lives of tangible and intangible assets.

r) Risk management policy

Cofina Group is exposed basically to (i) market risks, (ii) credit risks and (iii) liquidity risks. The main objective of Cofina's risk management is to reduce these risks to an acceptable level.

The Group's main risk management principles are approved by the Board of Directors of Cofina, SGPS, S.A., while its implementation is supervised by the directors of each of its subsidiaries.

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(i) Market risk

Within market risk, the exchange rate, interest rate and price risks assume particular relevance.

a. Exchange rate

The impact in the Company's consolidated financial statements arising from changes in the exchange rates is reduced, given the fact that most of the operational cash flows are contracted in Euro. The Group is only exposed to the risk of exchange rate in transactions in Brazilian Real, in relation to the stake held in the associated company Destak Brasil - Empreendimentos e Participações, S.A. and in Adcom Media - Anúncios e Publicidade, S.A.. Therefore, the Company's Board of Directors considers that potential changes in the exchange rates will not have a significant effect on the consolidated financial statements.

In the event of transactions with non-resident entities and settled in a currency other than Euro where the variation of exchange rate may have a significant impact on its performance, the Group aims to hedge its position by entering into financial derivative contracts whenever applicable and considered necessary to reduce the volatility of its results.

b. Interest rate

The risk of interest rate mainly arises from the indebtedness indexed to variable rates, thus leading the cost of debt to be quite volatile.

The Group uses derivative instruments or similar transactions for hedging interest rate considered significant. Three principles are used in the selection and determination of the hedging instruments of interest rate:

- For each derivative or hedging instrument used to protect the risk associated with a particular funding, there is coincidence between the dates of the flow of interests paid on loans to be hedged and the dates of liquidation under the hedging instruments;
- Perfect equivalence between the base rates: the indexing used in derivative or hedging instrument should be the same as that applicable to the financing or transaction that is being covered; and
- Since the beginning of the transaction, the maximum cost of debt resulting from the hedging transaction undertaken, is known and limited, even in scenarios of extreme changes in interest rates market.

Since the entire indebtedness of Cofina is indexed to floating rates, interest rate swaps are used when it is considered necessary as a mean of protection against changes in future cash flows associated with interest payments. The interest rate swaps agreed have the economic effect of converting the loans linked to variable rates to fixed rates. Under these contracts the Group agrees with other parties (banks) to exchange, in pre-determined periods of time, the difference between the amount of interest calculated at the fixed rate and variable rate contracted at that time, with reference to the respective amounts previously agreed.

The counterparts of the hedging instruments are limited to high credit quality financial institutions, since the Group policy priority is the hiring of these instruments with banks that are part of its financing operations. For purposes of determining the counterpart of specific operations, Cofina requests proposals

and indicative prices from a representative number of banks to ensure adequate competitiveness of these operations.

In determining the fair value of hedging transactions, the Group uses certain methods, such as valuation models of options and discounted future cash flows, as well as certain assumptions that are based on the interest rate market conditions prevailing at the date of the consolidated financial statement position. Quotes of comparative financial institutions, for specific instruments, are used as reference for evaluation.

The Board of Directors approves the terms and conditions of the relevant funding of the Group, analysing the structure of such debt, the risks and the different options available in the market, particularly regarding the type of interest rate (fixed / variable).

(ii) Credit risk

The Group's exposure to credit risk is mainly related with accounts receivable arising from its operating and treasury activities. The credit risk relates to the risk of the counterparty not fulfilling its contractual obligations, resulting in a loss to the Group.

The evaluation of credit risk is made on a regular basis, taking into consideration the current conditions of economic conjuncture and the specific situation of credit rating of each debtor, adopting corrective measures whenever necessary.

The Group's credit risk is not concentrated in any particular customer or group of customers with similar characteristics; the accounts receivable are distributed through a high number of customers, different areas of business and geographic areas.

The adjustments to accounts receivable are calculated taking into consideration (i) the risk profile of the customer, (ii) the average collection period, and (iii) the customer's financial conditions.

The amounts included in the face of the consolidated statement of financial position are presented net of accumulated impairment losses, and therefore, at its fair value.

(iii) Liquidity risk

The aim of liquidity risk management is to assure that the Group has the ability to meet its responsibilities and pursue the defined strategic goals, complying with all the commitments set with third parties within the established deadlines.

The Group defines as active politics (i) to keep an adequate level of immediately available resources to face to the necessary payments in its due date, (ii) reduce the probability of default in the reimbursement of loans, negotiating the amplitude of its contractual clauses and (iii) minimize the cost of opportunity of excessive short term liquidity.

The Group additionally aims to make compatible the due dates of assets and liabilities through an active management of its maturities.

As of December 31, 2016, the consolidated financial statements show that current assets are lower than current liabilities in an amount of, approximately, 25 million Euro. However, the Board of Directors believes that, taking into consideration the available credit lines (Note 18), in the amount of, approximately, 55 million Euro, as well as the projected operational cash-flow to be generated in the next year, this differential is adequately mitigated.

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3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the year, there were no changes in accounting policies and no material errors related with prior years occurred.

4. INVESTMENTS

Consolidation perimeter

The companies included in consolidation by the full consolidation method, their headquarters, percentage of participation held and activity as of 31 December 2016, are as follows:

| Designation | Headquarters | Percentage of participation held | Activity |
|--|-------------------|----------------------------------|---|
| <u>Parent Company:</u> | | | |
| Cofina, SGPS, S.A. | Porto | | Holding |
| <u>Cofina Media Group</u> | | | |
| Cofina Media, S.A. ("Cofina Media") | Lisbon | 100,00% | Newspapers and magazine publication, television broadcast, Production and creation of websites for online business development, events promotion and organization |
| Grafedisport – Impressão e Artes Gráficas, S.A. ("Grafedisport") | Lisbon | 100,00% | Newspapers printing |
| Adcom Media – Anúncios e Publicidade S.A. ("Adcom Media") | São Paulo, Brazil | 100,00% | Communication and advertising Services |

All the above companies were included in the consolidated financial statements of Cofina Group by the full consolidation method, as established in Note 2.2.a).

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Investments in Associated Companies

The associated companies, their headquarters, the percentage participation held, and activity as of 31 December 2016 are as follows:

| Designation | Headquarters | Percentage of Participation Held | | Activity |
|--|-------------------|----------------------------------|----------|--|
| | | Direct | Indirect | |
| VASP – Sociedade de Transportes e Distribuições, Lda. (“VASP”) | Lisbon | 33.33% | - | Publications distribution |
| Destak Brasil – Empreendimentos e Participações, S.A. (“Destak Empreendimentos”) | São Paulo, Brasil | 29.90% | - | Holding |
| Mercados Globais – Publicação de Conteúdos, Lda (“Mercados Globais”) | V.N.Gaia | 50% | - | Management services and promotion of a financial forum on the internet |
| A Nossa Aposta – Jogos e Apostas On-line, S.A. (“A Nossa Aposta”) | Lisbon | 40% | - | On-line bets |

The associated companies VASP, Destak Brasil and A Nossa Aposta were included in the consolidated financial statements of Cofina Group by the equity method, as referred to in Note 2.2.b). The company Mercados Globais was recorded at acquisition cost deducted from impairment losses.

As of 31 December 2016 and 2015, the financial information summarized from associated companies can be resumed as follows:

| | 31.12.2016 | | | 31.12.2015 | |
|--|--|---|----------------|------------|---|
| | VASP (Consolidated financial statements) | Destak Brasil (Consolidated financial statements) | A Nossa Aposta | VASP | Destak Brasil (Consolidated financial statements) |
| Non-current assets | 13,918,491 | 1,856,610 | 312,203 | 14,494,314 | 1,323,702 |
| Current asset | 23,999,407 | 3,054,470 | 428,620 | 19,888,055 | 3,153,290 |
| Non-current liabilities | 732,473 | 9,993 | - | 921,283 | 115,950 |
| Current liabilities | 27,964,017 | 6,248,244 | 384,563 | 24,337,236 | 5,103,863 |
| Equity attributable to equity holder of the parent company | 9,221,408 | (1,347,156) | 356,260 | 9,123,850 | (742,820) |

| | 31.12.2016 | | | 31.12.2015 | |
|-------------------------------|--|---|----------------|---------------|---|
| | VASP (Consolidated financial statements) | Destak Brasil (Consolidated financial statements) | A Nossa Aposta | VASP | Destak Brasil (Consolidated financial statements) |
| Turnover | 207,143,664 | 9,146,387 | - | 207,180,227 | 10,893,667 |
| Other operational income | 251,713 | 244,772 | - | 448,842 | - |
| Operational expenses | (205,763,756) | (9,973,274) | (390,666) | (205,895,272) | (12,214,412) |
| Amortization and depreciation | (686,417) | (24,372) | (1,910) | (698,621) | (29,297) |
| Financial results | (12,803) | 75,971 | - | (50,164) | (230,297) |
| Income tax | (305,790) | 162,727 | (1,164) | (317,628) | 517,393 |
| Net income | 626,611 | (367,788) | (393,740) | 667,384 | (1,062,946) |

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As of 31 December 2016 and 2015, changes in value of investments in associated companies and in provisions for financial investments were as follows:

| | 31/12/2016 | | | | 31/12/2015 | | |
|---|------------|-------------------------------|----------------|-----------|-------------|-------------------------------|-------------|
| | VASP | Destak Brasil Empreendimentos | A Nossa Aposta | Total | VASP | Destak Brasil Empreendimentos | Total |
| Investment in associated companies | | | | | | | |
| Balance as of 1 January | 3,041,284 | 100,000 | - | 3,141,284 | 3,792,565 | 67,842 | 3,860,407 |
| Constitutions during the year | - | - | 225,000 | 225,000 | - | - | - |
| Disposals | - | - | (125,000) | (125,000) | - | - | - |
| Supplementary instalments / Financial loans | - | 300,000 | 250,000 | 550,000 | - | 100,000 | 100,000 |
| Impairment losses constitution / (reversal) | - | (400,000) | - | (400,000) | - | - | - |
| Equity method | | | | | | | |
| Gains and losses in investments in associated companies (Note 27) | 232,519 | - | (157,021) | 75,498 | 243,212 | (1,174,888) | (931,676) |
| Capital reductions /dividends | (200,000) | - | - | (200,000) | (1,000,000) | - | (1,000,000) |
| Other | - | - | - | - | 5,507 | - | 5,507 |
| Provision reclassification | - | - | - | - | - | 1,107,046 | 1,107,046 |
| Closing Balance | 3,073,803 | - | 192,979 | 3,266,782 | 3,041,284 | 100,000 | 3,141,284 |

Destak Brasil Empreendimentos

| 31/12/2016 | 31/12/2015 |
|------------|------------|
|------------|------------|

Provisions

| | | |
|---|-----------|-----------|
| Balance as of 1 January | 1,107,046 | - |
| Reclassification from the caption "Financial investments" | - | 1,107,046 |
| Equity method | | |
| Gains and losses in investments in associated companies (Note 27) | 1,667,778 | - |
| Closing balance (Note 20) | 2,774,824 | 1,107,046 |

As of 31 December 2016 and 2015 the caption "Investments in associated companies" can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|--|------------|------------|
| Financial investment | | |
| VASP | 3,073,803 | 3,041,284 |
| Destak Empreendimentos | - | - |
| A Nossa Aposta | - | - |
| Mercados Globais - Publicação de Conteúdos, Lda. | 72,000 | 72,000 |
| | 3,145,803 | 3,113,284 |
| Accumulated impairment losses on investments in associates (Note 20) | (72,000) | (72,000) |
| | 3,073,803 | 3,041,284 |
| Supplementary instalments | | |
| A Nossa Aposta | 250,000 | - |
| Equity method effect | (57,021) | - |
| Loans | | |
| Destak Brasil Empreendimentos | 400,000 | 100,000 |
| Accumulated impairment losses on loans (Note 20) | (400,000) | - |
| | 3,266,782 | 3,141,284 |

Investments available for sale

As of 31 December 2016 and 2015 the Group has investments available for sale corresponding to non-controlling investments in unlisted companies. The Group has recorded impairment losses to face differences to their net realisable amount (Note 20),

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presenting this caption a net book value of 9,080 Euro. As of 31 December 2016 and 2015 the total value of investments, for which adjustments were made in the same value, amounts to 244,439 Euro (Note 20).

5. CHANGES IN THE CONSOLIDATION PERIMETER

No changes in the consolidation perimeter occurred during the year ended as of 31 December 2015.

During 2016, the company "A Nossa Aposta" was incorporated, from which the Group had, at that date, a stake of 90% of its share capital. After the disposal of 50% of its share capital, in the end of 2016, that company was considered in consolidation perimeter as an associated company. The impacts of the entrance and exit of this company in the consolidation perimeter were immaterial.

6. GOODWILL

The movement occurred in goodwill and related impairment losses during the years ended as of 31 December 2016 and 2015 was as follows:

| | 31.12.2016 | 31.12.2015 |
|-----------------------------|-------------------|-------------------|
| Balance as of 1 January | 88,789,577 | 89,316,685 |
| Impairment losses (Note 20) | (4,412,104) | - |
| Exchange rate variation | 399,707 | (527,108) |
| Balance as of 31 December | <u>84,777,180</u> | <u>88,789,577</u> |

During the year ended as of 31 December 2016 the variation occurred in the caption "Goodwill" is due (i) to the exchange rate variation in the year ended as of that date in the goodwill of the subsidiary Adcom Media (Newspapers- Brazil) and (ii) to impairment losses recorded in the goodwill of the Newspapers- Brazil and Magazines segment.

During the year ended as of 31 December 2015 the variation occurred in the caption "Goodwill" is due to (i) the exchange rate variation in the year ended as of that date in the goodwill of the subsidiary Adcom Media (Newspapers – Brazil).

In the year ended as of 31 December 2014, and following an internal reorganization of Cofina Group which was finished in 2015, several subsidiaries were merged by incorporation into Cofina Media, S.A. (Note 4). Thus, the allocation of goodwill has been presented in terms of cash generating segments instead of subsidiaries, since these were eliminated by the merger. These segments are the smallest identifiable groups of cash generating units and are largely independent of the cash inflows from other cash generating units.

Therefore, goodwill is outlined in detail by segment as follows:

a) Magazines: consisting essentially of the subsidiary merged in Cofina Media, S.A. – Edirevistas – Sociedade Editorial, S.A., whose main publications refer to "TV Guia", "Flash", "Vogue", and "Máxima".

b) Newspapers-Portugal: consisting essentially of the companies merged in Cofina Media, S.A. – Presselivre Imprensa Livre, S.A., Web Works – Desenvolvimento de Aplicações para Internet, S.A., Metronews – Publicações, S.A. and Transjornal – Edição de Publicações, S.A., whose main publications refer to newspapers "Correio da Manhã", "Destak", to the magazine "Sábado", and to the website "Empregos On-line".

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c) **Newspapers-Brazil**: consisting essentially of Adcom Media – Anúncios e Publicidade, S.A. – entity whose activity is related to the free newspaper “Destak Brasil” published in Brazil.

d) **Graphic printing**: consisting of “Grafedisport – Impressão e Artes Gráficas, S.A.”, providing graphic printing services to the “media” sector.

Thus, as of 31 December 2016 and 2015, the caption “Goodwill” was as follows:

| | 31.12.2016 | 31.12.2015 |
|-----------------------|-------------------|-------------------|
| Newspapers | 82,875,916 | 84,431,971 |
| Newspapers - Portugal | 80,969,457 | 80,969,457 |
| Newspapers - Brazil | - | 1,556,055 |
| Graphic printing | 1,906,459 | 1,906,459 |
| Magazines | 1,901,264 | 4,357,606 |
| | <u>84,777,180</u> | <u>88,789,577</u> |

Goodwill is tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the amount by which the asset is recorded may not be recovered. When the amount by which the asset is recorded is greater than its recoverable amount, an impairment loss is recorded. The recoverable amount is the higher of the net selling price and the value of use.

During the year ended as of 31 December 2016, impairment losses were recognized in relation to goodwill generated in the segments: (i) Magazines, in the total amount of 2,456,342 Euro; and (ii) Newspapers-Brazil, in the total amount of 1,955,762 Euro.

During the year ended as of 31 December 2015, impairment losses were not recognized in any business segment.

Goodwill impairment tests are performed using the “discounted cash flow” method, based on the financial projections of cash flow covering a period of six years of each cash generating unit and considering a perpetuity as of the sixth year (since the Board of Directors understands it to be the most appropriate period due to the cyclical nature of the Group's operations).

The financial projections are prepared based on assumptions of evolution of the activity of the cash generating units, which the Board considers to be consistent with the history and the trend of markets, being reasonable and prudent and that reflect their vision. In addition, whenever possible, market data was obtained from external entities, which were compared with historical data, and the Group's experience.

The discount rates reflect Cofina's Group indebtedness level and debt capital cost of Cofina Group (given that it is common to the several segments) as well as the level of risk and profitability expected by the market. Moreover, in determining the discount rates, the component related to the interest rate of a risk-free asset has by reference the interest rate for Brazilian or Portuguese ten-year bonds, depending on the market. The discount rates include a market risk premium.

The perpetuity growth rate is estimated based on market potential analysis of each cash generating unit, based on the Board's expectations.

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The impairment tests performed as of 31 December 2016 had the following main changes in relation to past experience:

- decrease of the discount rate for the domestic and the Brazilian markets;
- decrease in revenue and in operating income, namely in Magazines and Newspapers segment – Brazil in consequence of the Group's negative perspectives evolution in these two segments.

Impairment tests for the year ended as of 31 December 2016:

Newspaper - Portugal:

The recoverable amount of this cash generating unit was determined considering the financial projections of the newspapers sold in Portugal for a period of six years, a discount rate of 6.97% (7.67% in December 31, 2015) and a growth rate in perpetuity of 2.0% (as in 2015).

The main activity assumptions considered were the following:

- Circulation: an average annual growth of circulation of newspapers of 0.7% was estimated, through the explicit projection period;
- Advertising market: a compound annual average negative growth rate over the projection period of 4.5%, was considered, through the explicit projection period;
- Advertising market share: the maintenance of a market share similar to the one seen in 2016, over the remaining period of the projections, was considered;
- Portfolio: the maintenance of current publications was considered (Correio da Manhã, Sábado magazine, Destak).

The Company performed sensitivity analysis, as follows:

- an increase of 0.25% in the discount rate's assumption over the projection years would not generate relevant impairment losses, as of 31 December 2016;
- a reduction of 0.5% in the growth rate in perpetuity's assumption would not generate relevant material impairment losses, as of 31 December 2016.

Newspaper - Brazil:

The recoverable amount of this cash generating unit was determined considering the financial projections of the newspapers sold in Brazil ("Destak Brazil") for a period of six years, a discount rate of 17.6% (19.29% in December 31, 2015) and a growth rate in perpetuity of 1,5% (as in 2015).

The main activity assumptions considered were the following:

- Turnover: an average annual growth rate over the projection period of 1.6% was considered.

As this segment's Goodwill, after the recognition of impairment losses, is null, the Company did not perform a sensitivity analysis.

Graphic printing:

The recoverable amount of this cash generating unit was determined considering the financial projections of the graphic printing services for a period of six years, a discount rate of 6.97% (7.67% in December 31, 2015) and a growth rate in perpetuity of 2,0% (as in 2015).

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The main activity assumptions considered were the following:

- Turnover: an average annual growth rate of 0.7% was estimated.

The Company performed a sensitivity analysis, as follows:

- an increase of 0.25% in the discount rate's assumption over the projection years would not imply the need to record an impairment loss as of 31 December 2016;
- a reduction of 0.5% in the growth rate in perpetuity's assumption would not imply the need to record an impairment loss as of 31 December 2016.

Magazines:

The recoverable amount of this cash generating unit was determined considering the financial projections of the magazines for a period of six years, a discount rate of 6.97% (7.67% in December 31, 2015) and a growth rate in perpetuity of 2.0% (as in 2015).

The main activity assumptions considered were the following:

- Circulation: an average annual negative growth rate of circulation of magazines, in the projection period, of 6% was estimated;
- Advertising market: a compound annual average negative growth rate over the projection period of 3.5% was considered;
- Advertising market share: the maintenance of a market share similar to the one seen in 2016, over the remaining projections period, was considered;
- Portfolio: the maintenance of current publications was considered (TV Guia, Vogue, Máxima and Flash, taking into consideration that the last of these publications exists only on-line).

The Company performed a sensitivity analysis, as follows:

- an increase of 0.25% in the discount rate's assumption over the projection years would imply the need to record an impairment loss of approximately 100,000 Euro as of 31 December 2016;
- a reduction of 0.5% in the growth rate in perpetuity's assumption would imply the need to record an impairment loss of 150,000 Euro as of 31 December 2016.

The quantification of the above referred assumptions was undertaken based on historical data and the experience of the Board of Directors of the Group. However, such assumptions could be affected by phenomena of political, economic or legal nature which are currently unpredictable.

As a result of the impairment tests carried out based on the methodology, with the procedures and assumptions referred to above, the Board of Directors concluded that there are no additional impairment losses to be recognized. It is the Board of Directors conviction that the effect of any deviations that may occur in the main assumptions underlying the recoverable amount of the cash generating units, will not lead, in all material respects, to the impairment of its goodwill.

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7. TANGIBLE FIXED ASSETS

The movement occurred in tangible assets and in its accumulated depreciation and impairment losses during the years ended as of 31 December 2016 and 2015 was as follows:

| 2016 | | | | | | | | |
|--------------------------|--------|-----------------------------------|-------------------------|---------------------|------------------|-----------------------|------------------|------------|
| Gross Assets | | | | | | | | |
| | Land | Buildings and other constructions | Machinery and equipment | Transport equipment | Office Equipment | Other Tangible Assets | Work in progress | Total |
| Opening Balance | 48,994 | 4,213,246 | 23,538,696 | 794,496 | 8,489,042 | 1,501,605 | - | 38,586,079 |
| Additions | - | 6,949 | 394,050 | - | 88,579 | 29,540 | 99,720 | 618,838 |
| Disposals | - | - | (2,873) | (34,561) | (2,315) | - | - | (39,749) |
| Transfers and write-offs | - | 57,378 | - | - | (100,656) | 42,342 | (99,720) | (100,656) |
| Closing Balance | 48,994 | 4,277,573 | 23,929,873 | 759,935 | 8,474,650 | 1,573,487 | - | 39,064,512 |

| 2016 | | | | | | | | |
|--|--------|-----------------------------------|-------------------------|---------------------|------------------|-----------------------|------------------|------------|
| Accumulated depreciation and impairment losses | | | | | | | | |
| | Land | Buildings and other constructions | Machinery and equipment | Transport equipment | Office Equipment | Other Tangible Assets | Work in progress | Total |
| Opening Balance | - | 2,032,520 | 21,780,064 | 735,144 | 8,242,304 | 1,329,622 | - | 34,119,654 |
| Additions | - | 447,089 | 1,229,096 | 23,306 | 137,557 | 72,223 | - | 1,909,271 |
| Disposals | - | - | (1,149) | (30,436) | (1,650) | - | - | (33,235) |
| Transfers and write-offs | - | - | - | - | (100,656) | - | - | (100,656) |
| Closing Balance | - | 2,479,609 | 23,008,011 | 728,014 | 8,277,555 | 1,401,845 | - | 35,895,034 |
| | 48,994 | 1,797,964 | 921,862 | 31,921 | 197,095 | 171,642 | - | 3,169,478 |

| 2015 | | | | | | | | |
|--------------------------|--------|-----------------------------------|-------------------------|---------------------|------------------|-----------------------|------------------|------------|
| Gross Assets | | | | | | | | |
| | Land | Buildings and other constructions | Machinery and equipment | Transport equipment | Office Equipment | Other Tangible Assets | Work in progress | Total |
| Opening Balance | 48,994 | 4,172,695 | 23,061,529 | 796,251 | 8,105,372 | 1,434,408 | - | 37,619,249 |
| Additions | - | 40,551 | 478,046 | 60,336 | 386,150 | - | - | 965,083 |
| Disposals and write-offs | - | - | (879) | (55,268) | (2,480) | - | - | (58,627) |
| Transfers | - | - | - | (6,823) | - | 67,197 | - | 60,374 |
| Closing Balance | 48,994 | 4,213,246 | 23,538,696 | 794,496 | 8,489,042 | 1,501,605 | - | 38,586,079 |

| 2015 | | | | | | | | |
|--|--------|-----------------------------------|-------------------------|---------------------|------------------|-----------------------|------------------|------------|
| Accumulated depreciation and impairment losses | | | | | | | | |
| | Land | Buildings and other constructions | Machinery and equipment | Transport equipment | Office Equipment | Other Tangible Assets | Work in progress | Total |
| Opening Balance | - | 1,598,889 | 20,333,468 | 758,409 | 7,788,986 | 1,256,031 | - | 31,735,783 |
| Additions | - | 433,631 | 1,446,949 | 32,003 | 453,318 | 75,287 | - | 2,441,188 |
| Disposals and write-offs | - | - | (353) | (55,268) | - | (1,696) | - | (57,317) |
| Closing Balance | - | 2,032,520 | 21,780,064 | 735,144 | 8,242,304 | 1,329,622 | - | 34,119,654 |
| | 48,994 | 2,180,726 | 1,758,632 | 59,352 | 246,738 | 171,983 | - | 4,466,425 |

As of 31 December 2016 and 2015, the net value of tangible fixed assets acquired under leasing arrangements can be detailed as follows:

| | 31.12.2016 | | | 31.12.2015 | | |
|-------------------------|--------------|--|------------|--------------|--|------------|
| | Gross Assets | Accumulated depreciation and impairment losses | Net Assets | Gross Assets | Accumulated depreciation and impairment losses | Net Assets |
| Machinery and equipment | 186,081 | 104,121 | 81,961 | 86,270 | 57,371 | 28,899 |
| | 186,081 | 104,121 | 81,961 | 86,270 | 57,371 | 28,899 |

As of 31 December 2016 and 2015 there were no tangible assets pledged as guarantee for loans, nor were there any interest capitalized to fixed assets.

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8. INTANGIBLE ASSETS

During the year ended as of 31 December 2016 and 2015, the movement in intangible assets, as well as in the corresponding accumulated depreciation and impairment losses, was as follows:

| | 2016 | | | | |
|--------------------------|-------------------------------------|-------------------------|-----------|------------------|-----------|
| | Gross Assets | | | | |
| | Patents, royalties and other rights | Other intangible assets | Software | Work in progress | Total |
| Opening Balance | 760,599 | 370,090 | 4,688,923 | 33,180 | 5,852,792 |
| Additions | - | - | 175,047 | 69,097 | 244,144 |
| Transfers and write-offs | - | - | 83,625 | (83,625) | - |
| Closing Balance | 760,599 | 370,090 | 4,947,595 | 18,652 | 6,096,936 |

| | 2016 | | | | |
|-----------------|--|-------------------------|-----------|------------------|-----------|
| | Accumulated depreciation and impairment losses | | | | |
| | Patents, royalties and other rights | Other intangible assets | Software | Work in progress | Total |
| Opening Balance | 760,599 | 370,090 | 4,530,397 | - | 5,661,086 |
| Additions | - | - | 305,306 | - | 305,306 |
| Closing Balance | 760,599 | 370,090 | 4,835,703 | - | 5,966,392 |
| | - | - | 111,892 | 18,652 | 130,544 |

| | 2015 | | | | |
|--------------------------|-------------------------------------|-------------------------|-----------|------------------|-----------|
| | Gross Assets | | | | |
| | Patents, royalties and other rights | Other intangible assets | Software | Work in progress | Total |
| Opening Balance | 760,559 | 356,407 | 4,547,995 | 34,200 | 5,699,161 |
| Additions | - | 13,683 | 139,908 | - | 153,591 |
| Transfers and write-offs | - | - | 1,020 | (1,020) | - |
| Closing Balance | 760,559 | 370,090 | 4,688,923 | 33,180 | 5,852,752 |

| | 2015 | | | | |
|-----------------|--|-------------------------|-----------|------------------|-----------|
| | Accumulated depreciation and impairment losses | | | | |
| | Patents, royalties and other rights | Other intangible assets | Software | Work in progress | Total |
| Opening Balance | 760,559 | 342,724 | 4,106,801 | - | 5,210,084 |
| Additions | - | 27,366 | 423,596 | - | 450,962 |
| Closing Balance | 760,559 | 370,090 | 4,530,397 | - | 5,661,046 |
| | - | - | 158,526 | 33,180 | 191,706 |

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9. CLASSES OF FINANCIAL INSTRUMENTS

The financial instruments, in accordance with the policies described in Note 2, were classified as follows:

Financial assets

| 31 December 2016 | Loans and Accounts Receivable | Assets recorded at fair value through profits and losses | Sub-total | Assets not covered by IFRS 7 | Total |
|-------------------------------|-------------------------------|--|------------|------------------------------|------------|
| Non-current assets | | | | | |
| Other non-current assets | 32,383 | - | 32,383 | - | 32,383 |
| | 32,383 | - | 32,383 | - | 32,383 |
| Current assets | | | | | |
| Customers | 10,223,150 | - | 10,223,150 | - | 10,223,150 |
| State and other public bodies | - | - | - | 894,477 | 894,477 |
| Other current debtors | 264,777 | - | 264,777 | - | 264,777 |
| Other current assets | - | - | - | 7,181,278 | 7,181,278 |
| Cash and cash equivalents | 9,403,739 | - | 9,403,739 | - | 9,403,739 |
| | 19,891,666 | - | 19,891,666 | 8,075,755 | 27,967,421 |
| | 19,924,049 | - | 19,924,049 | 8,075,755 | 27,999,804 |

| 31 December 2015 | Loans and Accounts Receivable | Assets recorded at fair value through profits and losses | Sub-total | Assets not covered by IFRS 7 | Total |
|---|-------------------------------|--|------------|------------------------------|------------|
| Non-current assets | | | | | |
| Investments measured at fair value through profits and losses | - | 16,933 | 16,933 | - | 16,933 |
| Other non-current debtors | 350,000 | - | 350,000 | - | 350,000 |
| Other non-current assets | 1,592,676 | - | 1,592,676 | - | 1,592,676 |
| | 1,942,676 | 16,933 | 1,959,609 | - | 1,959,609 |
| Current assets | | | | | |
| Customers | 9,712,319 | - | 9,712,319 | - | 9,712,319 |
| State and other public bodies | - | - | - | 905,275 | 905,275 |
| Other current debtors | 392,502 | - | 392,502 | - | 392,502 |
| Other current assets | - | - | - | 7,920,681 | 7,920,681 |
| Cash and cash equivalents | 8,193,580 | - | 8,193,580 | - | 8,193,580 |
| | 18,298,401 | - | 18,298,401 | 8,825,956 | 27,124,357 |
| | 20,241,077 | 16,933 | 20,258,010 | 8,825,956 | 29,083,966 |

Financial liabilities

| 31 December 2016 | Other financial liabilities | Sub-total | Liabilities not covered by IFRS 7 | Total |
|--------------------------------|-----------------------------|------------|-----------------------------------|------------|
| Non-current liabilities | | | | |
| Other loans | 33,158,397 | 33,158,397 | - | 33,158,397 |
| Other non-current creditors | 33,929 | 33,929 | - | 33,929 |
| | 33,192,326 | 33,192,326 | - | 33,192,326 |
| Current liabilities | | | | |
| Other loans - short term | 33,546,302 | 33,546,302 | - | 33,546,302 |
| Suppliers | 8,773,388 | 8,773,388 | - | 8,773,388 |
| State and other public bodies | - | - | 3,107,294 | 3,107,294 |
| Other current creditors | 1,420,964 | 1,420,964 | - | 1,420,964 |
| Other current liabilities | - | - | 7,877,519 | 7,877,519 |
| | 43,740,654 | 43,740,654 | 10,984,813 | 54,725,467 |
| | 76,932,980 | 76,932,980 | 10,984,813 | 87,917,793 |

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| 31 December 2015 | | | Liabilities not covered | |
|--------------------------------|-----------------------------|-------------------|-------------------------|-------------------|
| | Other financial liabilities | Sub-total | by IFRS 7 | Total |
| Non-current liabilities | | | | |
| Other loans | 49,521,018 | 49,521,018 | - | 49,521,018 |
| Other non-current creditors | 15,090 | 15,090 | - | 15,090 |
| | <u>49,536,108</u> | <u>49,536,108</u> | <u>-</u> | <u>49,536,108</u> |
| Current liabilities | | | | |
| Suppliers | 17,989,994 | 17,989,994 | - | 17,989,994 |
| Other current creditors | 12,467,270 | 12,467,270 | - | 12,467,270 |
| Other current liabilities | - | - | 3,292,142 | 3,292,142 |
| Outros credores correntes | 2,490,579 | 2,490,579 | - | 2,490,579 |
| Outros passivos correntes | - | - | 8,420,122 | 8,420,122 |
| | <u>32,947,843</u> | <u>32,947,843</u> | <u>11,712,264</u> | <u>44,660,107</u> |
| | <u>82,483,951</u> | <u>82,483,951</u> | <u>11,712,264</u> | <u>94,196,215</u> |

Financial instruments recognized at fair value

The table below details the financial instruments measured at fair value after initial recognition, grouped into three levels according to the possibility of observing its fair market value:

Level 1: fair value is determined based on current active market prices;

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

| Financial assets measured at fair value Investments measured at fair value through profits and losses | 31.12.2016 | | | 31.12.2015 | | |
|--|------------|---------|---------|------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | - | - | - | 16,933 | - | - |

10. CURRENT AND DEFERRED INCOME TAXES

In accordance with the current legislation, tax returns are subject to review and correction by the tax authorities over a period of four years (five years for Social Security), except when tax losses have occurred, tax benefits have been granted, or tax inspections, complaints or disputes are in progress. In these cases, depending on the circumstances, the deadlines can be extended or suspended. Therefore, the tax returns of Cofina, its subsidiaries and associated companies for the years 2013 to 2016 may still be subject to review.

The Board of Directors of Cofina believes that any potential corrections resulting from reviews/inspections of these tax returns by the tax authorities will not have a significant effect on the consolidated financial statements as of 31 December 2016 and 2015.

Cofina is the dominant company of the group of companies that are subject to the special regime of taxation of groups of companies ("Regime Especial de Tributação de Grupos de Sociedades - RETGS").

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The movements occurred in deferred tax assets and liabilities in the years ended as of 31 December 2016 and 2015 were as follows:

| | Deferred tax assets | |
|--|---------------------|-----------|
| | 2016 | 2015 |
| Opening balance | 1,573,715 | 2,578,268 |
| Effects on the income statement: | | |
| Increase/(Decrease) in tax losses carried forward | (1,038,921) | (825,990) |
| Increase/(Decrease) in provisions not accepted for tax purposes | 12,326 | (31,723) |
| Temporary differences between the accounting value and the taxable value | - | (777) |
| Tax credits | - | (146,063) |
| Closing balance | 547,120 | 1,573,715 |

As of 31 December 2016 and 2015, there are no situations generating deferred tax liabilities.

The detail of the deferred tax assets as of 31 December 2016 and 2015, in accordance with the nature of timing differences that generated them, is as follows:

| | 31.12.2016 | 31.12.2015 |
|---|------------|------------|
| Provision and impairment losses not accepted for tax purposes | 264,474 | 252,148 |
| Tax losses carried forward | 282,646 | 1,321,567 |
| | 547,120 | 1,573,715 |

In accordance with the tax returns of the companies that record deferred tax assets related with tax losses carried forward, as of 31 December 2016 these may be detailed as follows:

| | Tax losses | Expiry date |
|-------------------|------------|-------------|
| Generated in 2014 | 1,345,933 | 2026 |
| | 1,345,933 | |

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Current taxes

Income taxes recorded in the income statement during the years ended as of 31 December 2016 and 2015 are detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|--|------------------|------------------|
| <u>Current Tax</u> | <u>736,848</u> | <u>2,311,410</u> |
| Income tax for the year | 1,300,416 | 1,432,978 |
| (Excess)/Insufficiency of prior years income tax | (306,107) | (221,568) |
| Restitution of income tax unduly paid in previous years | (1,007,461) | - |
| Provision for tax claims (Note 20) | 750,000 | 1,100,000 |
| <u>Deferred taxes</u> | <u>1,026,595</u> | <u>1,004,553</u> |
| Increase/(Decrease) in provisions not accepted for tax purposes | (12,326) | 31,723 |
| Increase/(Decrease) in tax losses carried forward | 1,038,921 | 825,990 |
| Tax credit | - | 146,063 |
| Temporary differences between the accounting value and the taxable value | - | 777 |
| | <u>1,763,443</u> | <u>3,315,963</u> |

The caption "Devolution of income tax unduly paid in previous years" includes an income tax devolution regarding the year 2011.

The reconciliation of profit before income tax and the income tax for the years ended as of 31 December 2016 and 2015 is as follows:

| | 31.12.2016 | 31.12.2015 |
|---|------------------|------------------|
| Profit before income tax | <u>6,096,454</u> | <u>8,377,189</u> |
| Income tax rate (including the maximum municipal income tax rate) | 22.50% | 22.50% |
| | <u>1,371,702</u> | <u>1,884,868</u> |
| Restitution of income tax unduly paid in previous years | (1,007,461) | - |
| Correction of income tax estimates of previous years | (306,107) | (221,568) |
| Provision for tax claims (Note 20) | 750,000 | 1,100,000 |
| Municipal income tax | 254,638 | 147,330 |
| Autonomous taxation | 318,870 | 244,655 |
| Application of the equity method / Impairment losses on financial investments | 448,263 | (6,126) |
| Goodwill impairment | 992,723 | - |
| Provisions' reversal | (900,000) | - |
| Other effects | (159,185) | 166,804 |
| Income tax | <u>1,763,443</u> | <u>3,315,963</u> |

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11. INVENTORIES

As of 31 December 2016 and 2015 the caption "Inventories" was made up as follows:

| | 31.12.2016 | 31.12.2015 |
|--|------------------|------------------|
| Raw, subsidiary and consumable material | 1,856,965 | 2,039,327 |
| Impairment losses in inventories (Note 20) | (48,037) | (48,037) |
| | <u>1,808,928</u> | <u>1,991,290</u> |

Inventories essentially include paper used for printing newspapers and magazines.

The cost of sales for the years ended as of 31 December 2016 and 2015 can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|-----------------|-------------------|-------------------|
| Opening balance | 2,039,327 | 1,920,929 |
| Purchases | 12,127,751 | 12,876,079 |
| Closing balance | (1,856,965) | (2,039,327) |
| | <u>12,310,113</u> | <u>12,757,681</u> |

12. CUSTOMERS

As of 31 December 2016 and 2015 this caption can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| Customers, current accounts | 10,223,150 | 9,712,319 |
| Customers, doubtful accounts | 1,668,901 | 2,699,464 |
| | <u>11,892,051</u> | <u>12,411,783</u> |
| Accumulated impairment losses (Note 20) | (1,668,901) | (2,699,464) |
| | <u>10,223,150</u> | <u>9,712,319</u> |

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from the Group's operating activity. The amounts presented in the face of the statement of financial position are presented net of accumulated impairment losses, which were estimated by the Group in accordance with its experience and based on an economic environment evaluation. The Group records impairment losses for customer balances due over 180 days. The Board of Directors believes that the net carrying amount of accounts receivable from customers is close to its fair value.

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As of 31 December 2016 and 2015, the customers ageing of balances can be detailed (by business segment) as follows:

| | Customers | | | | | |
|---------------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| | 31.12.2016 | | | 31.12.2015 | | |
| | Newspapers | Magazines | Total | Newspapers | Magazines | Total |
| Not due | 5,373,615 | 710,596 | 6,084,211 | 5,205,920 | 717,716 | 5,923,636 |
| Due with no impairment recorded | | | | | | |
| 0 - 90 days | 285,998 | 293,250 | 579,248 | 1,989,985 | 376,695 | 2,366,680 |
| 90 - 180 days | 1,535,478 | 42,363 | 1,577,841 | 255,345 | 18,577 | 273,922 |
| 180 - 360 days | 715,620 | 17,608 | 733,228 | 71,251 | 22,580 | 93,831 |
| + 360 days | 536,869 | 26,052 | 562,921 | 383,187 | 8,731 | 391,918 |
| | <u>3,073,965</u> | <u>379,273</u> | <u>3,453,238</u> | <u>2,699,768</u> | <u>426,583</u> | <u>3,126,351</u> |
| Swap accounts receivable | | | | | | |
| No impairment | 605,020 | 80,681 | 685,701 | 574,018 | 88,314 | 662,332 |
| Total | <u>9,052,600</u> | <u>1,170,550</u> | <u>10,223,150</u> | <u>8,479,706</u> | <u>1,232,613</u> | <u>9,712,319</u> |

The amounts recorded as "Swap accounts receivable" relate to balances receivable from exchange (swap) operations (amounts arising from the sale of advertising in exchange for other goods and services provided by the counterparty), for which there are also accounts payable under the caption "Suppliers" (Note 21).

For the overdue amounts for which there is no impairment loss recorded, the Group considers that there has been no loss in the credit quality of the counterparty, and therefore there is no credit risk.

As of December 31, 2016, and in what refers to customer balances with more than 180 days, a significant part of this balance, in the amount of, approximately 1.2 million Euro, correspond to receivables from the related party Destak Brasil – Editora.

The average credit period granted to customers depends on the type of sale/service. In accordance with procedures agreed with the distribution company, the amounts related to sale of publications are collected in the day the invoice is issued. In relation to services rendered (mainly the sale of advertising), the Company grants a credit period between 15 to 60 days (the same period as in 2015). The Group charges no interests for undue invoices. After the due date, the Company charges interests defined contractually, and in accordance with the applicable legislation, which usually only occurs under extreme conditions.

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13. STATE AND OTHER PUBLIC ENTITIES

As of 31 December 2016 and 2015 these assets and liabilities had the following composition:

| | 31.12.2016 | 31.12.2015 |
|-------------------------------|------------------|------------------|
| <u>Debtor balances:</u> | | |
| Corporate income tax | 888,978 | 905,271 |
| Value added tax | 4,499 | - |
| Other | 1,000 | 4 |
| | <u>894,477</u> | <u>905,275</u> |
| | 31.12.2016 | 31.12.2015 |
| <u>Creditor balances:</u> | | |
| Corporate income tax | 567,694 | 888,366 |
| Value added tax | 1,298,750 | 1,137,835 |
| Personal income tax | 563,426 | 510,397 |
| Social security contributions | 636,167 | 624,046 |
| Other | 41,257 | 131,498 |
| | <u>3,107,294</u> | <u>3,292,142</u> |

The liabilities caption "Corporate income tax" includes advance payments and withholdings performed by third parties, net of the estimated income tax for the period (Note 10).

14. OTHER DEBTORS

As of 31 December 2016 and 2015 this caption can be detailed as follows:

| | 31.12.2016 | | 31.12.2015 | |
|--|----------------|----------------|----------------|----------------|
| | Current | Non-current | Current | Non-current |
| Advances to trade creditors | 126,019 | 350,000 | 120,123 | 350,000 |
| Other debtors | 583,844 | - | 717,465 | - |
| | <u>709,863</u> | <u>350,000</u> | <u>837,588</u> | <u>350,000</u> |
| Accumulated impairment losses in other debtors (Note 20) | (445,086) | (350,000) | (445,086) | - |
| | <u>264,777</u> | <u>-</u> | <u>392,502</u> | <u>350,000</u> |

The non-current caption "Advances to trade creditors" refers to advance payments of printing services which will be rendered in future years and which reimbursement plan extends until 2022.

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As of 31 December 2016 and 2015, the ageing of balances of "Other debtors" can be detailed as follows:

| | 31.12.2016 | | | 31.12.2015 | | |
|---------------------------------|--------------------------------|----------------|----------------|--------------------------------|----------------|----------------|
| | Advances to trade creditors | Other debtors | Total | Advances to trade creditors | Other debtors | Total |
| Not due | 126,019 | 138,758 | 264,777 | 470,123 | 272,379 | 742,502 |
| Due with no impairment recorded | | | | | | |
| 0 - 90 days | - | - | - | - | - | - |
| 90 - 180 days | - | - | - | - | - | - |
| 180 - 360 days | - | - | - | - | - | - |
| + 360 days | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total | 126,019 | 138,758 | 264,777 | 470,123 | 272,379 | 742,502 |

The amounts presented in the consolidated statement of financial position are net of accumulated impairment losses estimated by the Group, in accordance with its experience and based on an economic environment evaluation. The Group records impairment losses for other debtors' balances due over 180 days.

15. OTHER CURRENT AND NON-CURRENT ASSETS

As of 31 December 2016 and 2015 this caption can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| <u>OTHER NON-CURRENT ASSETS</u> | | |
| Deferred costs: | | |
| Operating expenses paid in advance | - | 1,592,676 |
| Other non-current assets | 32,383 | - |
| | <u>32,383</u> | <u>1,592,676</u> |
| | <u>31.12.2016</u> | <u>31.12.2015</u> |
| <u>OTHER CURRENT ASSETS</u> | | |
| Accrued income: | | |
| Newspapers and magazines to invoice | 4,250,585 | 4,298,183 |
| CMTV | 185,185 | 424,988 |
| Rappel | 16,830 | 25,874 |
| Other accrued income | 14,497 | 56,728 |
| Deferred costs: | | |
| Operating expenses paid in advance | 2,079,487 | 2,199,005 |
| Charges related to subsequent year editions | 628,352 | 909,864 |
| Other deferred income | 6,342 | 6,039 |
| | <u>7,181,278</u> | <u>7,920,681</u> |

Sales of magazines and newspapers are recorded in the period in which the publications are distributed. The newspapers are distributed on a daily basis and the magazines are distributed on a weekly, monthly or bimonthly basis. Those amounts not yet

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invoiced are included in the caption "Newspapers and magazines to invoice".

CMTV's caption relates to the amount to invoice regarding broadcast rights for the years of 2016 and 2015.

In 31 December 2016 and 2015 the caption "Operating expenses paid in advance" relates, essentially, to real estate rents paid in advance.

16. CASH AND CASH EQUIVALENTS

As of 31 December 2016 and 2015, the caption "Cash and cash equivalents" can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|---|------------|------------|
| Cash | 65,349 | 66,058 |
| Bank deposits repayable on demand | 9,338,390 | 8,127,522 |
| Bank deposits repayable in less than 3 months | 9,403,739 | 8,193,580 |
| Cash and cash equivalents | 9,403,739 | 8,193,580 |

During the year ended as of 31 December 2016 the payments relating to financial investments were as follows:

| <u>Acquisitions</u> | Transaction amount | Amount paid |
|---------------------|--------------------|-------------|
| A Nossa Aposta | 225,000 | 225,000 |
| Others | 252,450 | 252,450 |
| | 477,450 | 477,450 |

During 2016, the Group sold 50% of the share capital of "A Nossa Aposta" for 125,000 Euro and has received the full amount. Additionally, the Group granted supplementary instalments to that company in the amount of 250,000 Euro.

During 2016, the Company reinforced the loans granted to its subsidiary Destak Brasil Empreendimentos in the amount of 300,000 Euro (Note 4).

During 2016, the associated VASP distributed dividends to Cofina Media amounting to 200,000 Euro.

During the year ended as of 31 December 2015 the payments relating to financial investments were as follows:

| <u>Acquisitions</u> | % acquired | Transaction amount | Amount paid |
|--|------------|--------------------|-------------|
| Adcom Media - Anúncios e Publicidade, S.A | 20.00% | 2,287,344 | 1,108,483 |
| Metronews - Publicações, S.A | 41.00% | 942,237 | 456,623 |
| BUZ Participações, Ltda. | 100.00% | 16,637 | 8,062 |
| Gratuitgadget - SGPS, Lda. | 100.00% | 3,781 | 1,832 |
| Destak Brasil - Empreendimentos e Participações, S.A | 5.98% | 1 | - |
| | | 3,250,000 | 1,575,000 |

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During 2015 the associated company VASP reduced its share capital in the amount of 2,297,000 Euro. Additionally, it distributed dividends to its shareholders in the amount of 702,300 Euro. As the Group maintains 33% in the share capital of this associated company, the amount of 765,900 Euro related with the capital reduction and the amount of 234,100 Euro related with the dividends were received.

17. SHARE CAPITAL AND RESERVES

Share capital

As of 31 December 2016, the Company's fully subscribed and paid up capital consisted of 102,565,836 shares without nominal value. As of that date, Cofina SGPS, S.A. and the Group companies did not hold own shares.

Reserves

Share premium

Share premium is related with premiums obtained with share capital issuance or share capital increases. In accordance with the Portuguese commercial legislation, the amounts included in this caption follow the same regime as the "Legal reserve", i.e., the amounts are not distributable, unless in situations of insolvency, but can be used to absorb losses after the other reserves have been used, and for inclusion in the share capital.

Legal Reserve

The Portuguese commercial legislation provides that at least 5% of the annual net profit must be used to reinforce the "Legal reserve" until this caption represents at least 20% of the share capital. This reserve is not distributable but can be used to absorb losses after every other reserves have been used, and for inclusion in the share capital.

Under Portuguese legislation, the amount of distributable reserves is determined based on the non-consolidated financial statements of the Company, prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union.

18. BANK AND OTHER LOANS

As of 31 December 2016 and 2015, the caption "Other loans" was made up as follows:

| | 31.12.2016 | | | | 31.12.2015 | | | |
|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Book value | | Nominal value | | Book value | | Nominal value | |
| | Current | Non-current | Current | Non-current | Current | Non-current | Current | Non-current |
| Bond loans | 16,579,199 | 33,158,397 | 16,666,667 | 33,333,333 | - | 49,521,018 | - | 50,000,000 |
| Commercial paper | 16,967,103 | - | 17,000,000 | - | 17,989,994 | - | 18,000,000 | - |
| | <u>33,546,302</u> | <u>33,158,397</u> | <u>33,666,667</u> | <u>33,333,333</u> | <u>17,989,994</u> | <u>49,521,018</u> | <u>18,000,000</u> | <u>50,000,000</u> |

Bond loan

As of 31 December 2016, this caption was made up of a loan denominated "Bonds Cofina SGPS - 2013/2019", whose nominal value amounts to 50 million Euro, issued by Cofina SGPS, S.A. and which book value, valued in accordance with the effective

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interest rate method, amounts to 49,737,596 Euro. This loan, according to its terms, matures on September 28, 2019. The main features of this loan are as follows:

i) Cofina, SGPS, S.A.:

- Issuer – Cofina, SGPS, S.A.;
- Nominal value – 50,000,000 Euros;
- Subscription date – September 27, 2013;
- Maturity – September 28, 2019;
- Reimbursement – at par, on interest payment dates, in three equal instalments, as of 28 September 2017, 28 September 2018 and 28 September 2019;
- Interest – postponed, corresponding to 6 month Euribor plus a spread of 3.8%.

This bond loan has some covenants, which were fully fulfilled as of December 31, 2016 and 2015.

Commercial paper

The liability caption “Commercial paper” relates to three commercial paper programs, in the maximum amounts of 15,000,000 Euro (two of them) and 5,000,000 Euro, which bear interest at market rates, with guaranteed subscription by the banks. These commercial paper programs mature in July 2019, September 2021 and November 2018, respectively.

As of 31 December 2016, the credit facilities used by the Group and the corresponding maximum amounts authorized were as follows:

| Nature | Maturity | Authorized amount | Used amount | Available amount |
|---------------------------------|------------|--------------------|-------------------|-------------------|
| <i>Cash pooling / Overdraft</i> | n/a | 11,500,000 | - | 11,500,000 |
| Current account facility | n/a | 8,000,000 | - | 8,000,000 |
| Commercial paper | 07-07-2019 | 15,000,000 | 1,000,000 | 14,000,000 |
| Commercial paper | 30-09-2021 | 15,000,000 | 15,000,000 | - |
| Commercial paper | 31-03-2017 | 5,000,000 | - | 5,000,000 |
| Commercial paper | 31-07-2019 | 5,000,000 | - | 5,000,000 |
| Commercial paper | 30-04-2020 | 7,000,000 | - | 7,000,000 |
| Commercial paper | 30-11-2018 | 5,000,000 | 1,000,000 | 4,000,000 |
| Bond loan 2013/2019 | 28-09-2019 | 50,000,000 | 50,000,000 | - |
| | | <u>121,500,000</u> | <u>67,000,000</u> | <u>54,500,000</u> |

During the year ended as of 31 December 2016, these loans borne interest indexed to Euribor, plus spreads ranging between 0.75% and 3.80%, depending on the nature and term of the credit obtained.

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The nominal value of the bond loans (capital and interests) is repayable in accordance with the following plan:

| Year | Principal | Interest |
|-------|------------|-----------|
| 2017 | 16,666,667 | 1,666,042 |
| 2018 | 16,666,667 | 1,060,208 |
| 2019 | 16,666,666 | 454,375 |
| Total | 50,000,000 | 3,180,625 |

During the years ended as of 31 December 2016 and 2015 the Group did not enter into any loan default.

Sensitivity analysis to interest rate changes

In the years ended as of 31 December 2016 and 2015 the Group's sensitivity to changes in the interest rate of plus or minus 1 percentage point, measured as the change in financial results, can be analysed as follows:

| | 31.12.2016 | 31.12.2015 |
|--|---|---|
| | Without the hedging derivative financial instruments effect | Without the hedging derivative financial instruments effect |
| Interest and bank commissions (Note 27) | 2,613,128 | 2,992,303 |
| Decrease of 1 p.p. interest rate applied to the entire indebtedness | (670,000) | (680,000) |
| Increase of 1 p.p. interest rate applied to the entire indebtedness | 670,000 | 680,000 |

The sensitivity analysis above was calculated based on the exposure to the interest rate existing as of the statement of financial position date. This analysis considered as a basic assumption that the structure of financing (remunerated assets and liabilities) has remained stable throughout the year and similar to that presented as of 31 December, 2016.

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19. LEASING

Finance leases

As of 31 December 2016 and 2015, the amounts payable to fixed asset suppliers in relation to financial lease contracts were classified in the captions "Other non-current creditors" and "Other current creditors" and had the following reimbursement plan:

| | 31.12.2016 | 31.12.2015 |
|----------------------|---------------|---------------|
| 2018 | 33,929 | 15,090 |
| | <u>33,929</u> | <u>15,090</u> |
| Short term (Note 22) | 48,031 | 28,472 |
| | <u>81,960</u> | <u>43,562</u> |

Operating leases

In 2013, the Company celebrated a lease contract relating to the Group's new headquarters building in Lisbon. Under this contract, the annual amount of the rent amounts to 1,591,160 Euros and has a duration of 15 years, automatically renewable for successive periods of 5 years. This contract may be cancelled as from the tenth year by the Company and by the lessor without any need for justification and with a minimum of 120 days and two years' notice, respectively.

20. MOVEMENTS IN PROVISIONS AND IMPAIRMENT LOSSES

The movements occurred in provisions and impairment losses for the years ended as of 31 December 2016 and 2015 may be detailed as follows:

| | 31.12.2016 | | | |
|-------------------|------------------|---|--|--|
| | Provisions | Impairment losses in investments (Note 4) | Impairment losses in inventories (Note 11) | Impairment losses in accounts receivable (Notes 12 and 14) |
| Opening balance | 12,485,094 | 316,439 | 48,037 | 3,144,550 |
| Reclassifications | 226,606 | - | - | - |
| Increases | 2,693,328 | 400,000 | - | 361,104 |
| Reversals | (4,000,000) | - | - | - |
| Utilisations | (3,614,561) | - | - | (1,041,667) |
| Closing balance | <u>7,790,467</u> | <u>716,439</u> | <u>48,037</u> | <u>2,463,987</u> |

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| | 31.12.2015 | | | |
|-----------------|------------|---|--|--|
| | Provisions | Impairment losses in investments (Note 4) | Impairment losses in inventories (Note 11) | Impairment losses in accounts receivable (Notes 12 and 14) |
| Opening balance | 10,320,480 | 316,439 | 48,038 | 3,514,005 |
| Increases | 2,207,046 | - | - | - |
| Reversals | (42,431) | - | - | (14,663) |
| Utilisations | (1) | - | (1) | (354,792) |
| Closing balance | 12,485,094 | 316,439 | 48,037 | 3,144,550 |

As of 31 December 2016 and 2015 the reconciliation between the values recognised in the statement of financial position and profit and loss statement captions relating with provisions and impairment losses can be detailed as follows:

| | 31.12.2016 | | | | | 31.12.2015 | | |
|-----------------------------------|-------------|-----------------------|-------------|-----------|-----------|------------|-------------|-----------|
| | Provisions | Financial investments | Receivables | Goodwill | Total | Provisions | Receivables | Total |
| Provisions and impairment losses | (3,724,450) | - | 11,104 | 4,412,104 | 698,758 | (42,431) | (14,663) | (57,094) |
| Results from associated companies | 1,667,778 | 400,000 | 350,000 | - | 2,417,778 | 1,107,046 | - | 1,107,046 |
| Income tax | 750,000 | - | - | - | 750,000 | 1,100,000 | - | 1,100,000 |
| | (1,306,672) | 400,000 | 361,104 | 4,412,104 | 3,866,536 | 2,164,615 | (14,663) | 2,149,952 |

As of 31 December 2016 and 2015 the caption "Provisions" in the income statement can be detailed as follows:

| | 31.12.2016 | 31.12.2015 |
|--|------------------|-------------------|
| Provisions for IRC 2007 process | 3,000,000 | 10,927,844 |
| Provisions for other tax contingencies | 1,495,643 | - |
| Provisions for indemnities / legal proceedings | 520,000 | 450,204 |
| Equity Method (Note 4) | 2,774,824 | 1,107,046 |
| | 7,790,467 | 12,485,094 |

The liability's caption "Provisions" includes provisions for (i) taxes, recorded against the income statement "Income Tax" (Note 10), in the current year and previous years, (ii) provisions for financial investments (including equity method) and for (iii) indemnities and legal proceedings against the Group for which the outcome is uncertain, which corresponds to the best estimate made by the Board of Directors, supported by their legal and tax advisors, of the impact that might result from the ongoing legal proceedings.

IRC 2007 Process

As of December 31, 2016, the Company maintains disagreements with the Portuguese tax authorities as a sequence of an inspection made in relation to Corporate Income Tax of 2007, whose amount questioned by the tax authorities amounted to 17,900,000 Euro. This amount results from two corrections performed by the tax authorities: one related with the non-acceptance of a capital loss generated by a disposal of a subsidiary; and another related with the non-acceptance of deductibility of part of the dividends distributed by a subsidiary.

Under the Tax and Social Security Debts' Regularization Exceptional Regime, approved by the Decree-Law 151-A/2013, of October 31 ("RERD"), the Group paid voluntarily, during the year ended as of 31 December 2013, an amount of 2,000,000 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process. Under that same regime, the Group

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requested to the Tax Authorities the offset of part of the amounts challenged related with that inspection, with credits that the Group had over the Tax Authorities (regarding Income Tax administrative and judicial appeals), having obtained, in the year ended as of 31 December 2014, the approval of the requirement in the amount of, approximately, 5,700,000 Euro.

Under the State Indebtedness Reduction Special Plan, approved by the Decree-Law 67/2016, of November 3 (“PERES”), the Group paid voluntarily, during the year ended as of 31 December 2016, an amount of 3,614,561 Euro, with the corresponding exemption of default and penalty interests and other costs of the tax process.

Consequently, the amount of the unresolved contingency/tax assessment, as of 31 December 2016, amounts to, approximately, 13,500,000 Euro, from which 3 million Euro refers to the correction of the capital loss above referred and the remaining amount (10.5 million Euro) is related to the dividends correction. The reconciliation between the initial and the present contingency can be resumed as follows:

| | IRC 2007 process |
|--------------------------|-----------------------------|
| Initial Contingency | 17,878,819 |
| Interest / other costs | 3,670,237 |
| Payments / compensations | (7,961,456) |
| | 13,587,600 |

The Board of Directors, supported by its legal and tax advisors, and under the process of its tax contingencies revaluation, evaluated as probable a: (i) favourable decision in the case of the dividends and (ii) an unfavourable decision in the case of the capital loss, reason why a provision in the amount of, approximately, 3,000,000 Euro was allocated to that component of the process.

Nevertheless, the Group is still in litigation with the Portuguese tax authorities regarding these two situations.

In order to cope with these disputes, the Group recorded provisions, which correspond to the best estimate made by the Board of Directors, supported by their legal and tax advisors, of the impact that might result from the ongoing tax claims.

21. SUPPLIERS

As of 31 December 2016 and 2015 this caption could be presented, taking into consideration its maturity, as follows:

| | 31.12.2016 | No deadline (a) | Payable in | | |
|--|------------------|-----------------|--------------------|---------------|--------------------|
| | | | Less than 3 months | 3 to 6 months | More than 6 months |
| Trade creditors and other commercial liabilities | 8,773,388 | 605,786 | 8,167,602 | - | - |
| | 8,773,388 | 605,786 | 8,167,602 | - | - |

| | 31.12.2015 | No deadline (a) | Payable in | | |
|--|-------------------|-----------------|--------------------|---------------|--------------------|
| | | | Less than 3 months | 3 to 6 months | More than 6 months |
| Trade creditors and other commercial liabilities | 12,467,270 | 448,951 | 12,018,319 | - | - |
| | 12,467,270 | 448,951 | 12,018,319 | - | - |

(a) – amounts included in the column “No deadline” relate to exchange transactions with entities that are also customers (Note 12). As such, there is no pre-determined settlement date.

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22. OTHER CURRENT AND NON CURRENT CREDITORS

As of 31 December 2016 and 2015 this caption was made up as follows:

| <u>Other non-current creditors</u> | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| Creditors by leasing responsibilities (Note 19) | 33,929 | 15,090 |
| | <u>33,929</u> | <u>15,090</u> |
| | | |
| <u>Other current creditors</u> | <u>31.12.2016</u> | <u>31.12.2015</u> |
| Creditors by leasing responsibilities (Note 19) | 48,031 | 28,472 |
| Other creditors: | | |
| Payroll | 133,012 | 90,617 |
| Exchanges with public entities | 252,907 | 252,907 |
| Subscriptions | 238,452 | 229,414 |
| Loans from related entities (Note 28) | 384,158 | 322,623 |
| Others | 364,404 | 1,566,546 |
| | <u>1,420,964</u> | <u>2,490,579</u> |

With the exception of the amounts related with financial leasing responsibilities, whose reimbursement plan is presented in Note 19, the remaining amounts under the caption "Other current creditors" as of 31 December 2016 and 2015 have its maturity in less than 6 months. The amount included in the caption "Loans from related entities" refers to a loan from Destak Brasil – Empreendimentos e Participações S.A. to Adcom Media – Anúncios e Publicidade, S.A..

23. OTHER CURRENT LIABILITIES

As of 31 December 2016 and 2015, this caption was made up as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Accrued costs: | | |
| Accrued payroll | 3,913,795 | 3,639,874 |
| Commissions payable | 815,523 | 848,393 |
| Rappel | 1,361,835 | 1,814,742 |
| Supplies and external services | 1,305,401 | 1,070,936 |
| Other | 106,639 | 89,199 |
| Deferred income: | | |
| Deferred income from alternative marketing | 307,498 | 658,834 |
| Other | 66,828 | 298,144 |
| | <u>7,877,519</u> | <u>8,420,122</u> |

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24. SALES, SERVICES RENDERED AND OTHER OPERATING INCOME

"Sales" for the years ended as of 31 December 2016 and 2015 are mainly related to newspaper and magazines sales, including a small portion of income related to the sale of printing paper.

The caption "Services rendered" relates to sales of advertising in the Group's publications, net of the discounts granted.

The amounts arising from alternative marketing products are sold with the Group's publications and television broadcast rights of CMTV are recorded in the caption "Other income".

25. SUPPLIES AND SERVICES

As of 31 December 2016 and 2015, this caption was made up as follows:

| | 31.12.2016 | 31.12.2015 |
|----------------------|-------------------|-------------------|
| Advertising | 14,036,701 | 13,890,730 |
| Specialized services | 8,301,948 | 8,396,209 |
| Subcontracts | 5,636,671 | 5,869,764 |
| Rents | 3,581,588 | 3,485,260 |
| Fees | 3,018,089 | 2,898,675 |
| Travel and lodging | 1,844,042 | 1,666,996 |
| Communication | 1,042,437 | 1,186,484 |
| Royalties | 860,833 | 721,137 |
| Others | 3,118,521 | 3,047,636 |
| | <u>41,440,830</u> | <u>41,162,891</u> |

26. PERSONNEL COSTS

As of 31 December 2016 and 2015, this caption was made up as follows:

| | 31.12.2016 | 31.12.2015 |
|---------------------|-------------------|-------------------|
| Remunerations | 25,372,490 | 25,416,435 |
| Indemnities | 218,183 | 61,848 |
| Charges on salaries | 5,478,164 | 5,473,521 |
| Insurance | 284,610 | 270,386 |
| Social expenses | 27,243 | 24,507 |
| Others | 245,904 | 246,825 |
| | <u>31,626,594</u> | <u>31,493,522</u> |

During 2016 and 2015, the average of personnel working in the companies included in consolidated statements by the fully consolidation method were 935 and 976, respectively.

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27. FINANCIAL RESULTS

The financial income and expenses, from the associated companies, for the years ended as of 31 December 2016 and 2015 are made up as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|---|--------------------|-------------------|
| <u>Income of Associated companies</u> | | |
| Financial investments impairment - Destak Brasil (Notes 4 and 20) | (400,000) | - |
| Equity method - Destak Brasil (Notes 4 and 20) | (1,667,778) | (1,174,888) |
| Equity method - VASP (Note 4) | 232,519 | 243,212 |
| Equity method - A Nossa Aposta (Note 4) | (157,021) | - |
| | <u>(1,992,280)</u> | <u>(931,676)</u> |
| <u>Financial costs</u> | | |
| Interests | 2,047,582 | 2,445,210 |
| Bank commissions | 565,546 | 547,093 |
| Other financial costs | 602,478 | 57,469 |
| | <u>3,215,606</u> | <u>3,049,772</u> |
| <u>Financial income</u> | | |
| Interest | 6,443 | 7,336 |
| Other financial income | - | 203,695 |
| | <u>6,443</u> | <u>211,031</u> |

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Services rendered to associated companies during the year ended as of 31 December 2016 relate to sales of advertising of the subsidiary Adcom Media (Note 4).

Board of Directors remuneration

Compensations paid to the members of Cofina SGPS, S.A. Board of Directors during the year ended as of 31 December 2016 by the companies included in the consolidation by the full method, include only fixed remunerations and amount to 244,000 Euro.

Under article 3 of Law 28/2009, of June 19, the non-executive Directors Domingos José Vieira de Matos, Pedro Miguel Matos Borges de Oliveira and Ana Rebelo Mendonça received, during the year 2016, 28,000 Euro, each, as a fixed compensation paid directly by Cofina SGPS, S.A..

There are no:

- Plans or incentive systems related with the attribution of shares to Board of Directors members;
- Compensations paid or payable to former Directors in relation to the termination of duties during the year;
- Supplementary pension regime or early retirement for Directors;
- Non-cash benefits considered as remuneration.

Related parties

Apart from the companies included in consolidation (Note 4), the entities considered to be related companies as of 31 December 2016, can be presented as follows:

- Actium Capital, SGPS, S.A.
- Alteria, SGPS, S.A.
- Altri Abastecimentos de Madeira, S.A.
- Altri Florestal, S.A.
- Altri Sales, S.A.
- Altri, Participaciones Y Trading, S.L.
- Altri, SGPS, S.A.
- Base Holding, S.G.P.S.
- Caderno Azul, SGPS, S.A.
- Caima Energia – Empresa de Gestão e Exploração de Energia, S.A.
- Caima Indústria de Celulose, S.A.
- Captaraíz Unipessoal, Lda.
- Cetejo – Empresa de Celulose do Tejo, S.A.
- Celulose da Beira Industrial (Celbi), S.A.
- Cofihold, SGPS, S.A.
- Elege Valor, SGPS, S.A.
- Expeliarmus – Consultoria, S.A.
- F. Ramada II, Imobiliária, S.A.
- F. Ramada Investimentos, SGPS, S.A.
- Inflora – Sociedade de Investimentos Florestais, S.A.
- Livrefluxo, SGPS, S.A.
- Pedro Fruticola, Sociedade Fruticola, Lda.
- Planfuro Global, S.A.
- Préstimo – Prestígio Imobiliário, S.A.
- Promendo, SGPS, S.A.
- Ramada – Aços, S.A.
- Ramada Storax, S.A.
- Sociedade Imobiliária Porto Seguro – Investimentos Imobiliários, S.A.

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- Storax, S.A.
- Storax Benelux, S.A.
- Storax, Ltd.
- Storax España, S.L.
- Universal Afir, S.A.
- Valor Autêntico, SGPS, S.A.
- Viveiros do Furadouro Unipessoal, Lda.
- 1 Thing Investments, SGPS

Board of Directors

Cofina SGPS, S.A. Board of Directors was composed as follows as of 31 December 2016:

Paulo Jorge dos Santos Fernandes
João Manuel Matos Borges de Oliveira
Domingos José Vieira de Matos
Pedro Miguel Matos Borges de Oliveira
Ana Rebelo de Carvalho Menéres de Mendonça

29. RESPONSIBILITIES FOR GUARANTEES PROVIDED

As of 31 December 2016, Cofina Group had provided guarantees as follows:

- (a) Pledge of 112,268,150 shares of Cofina Media, S.A. in favour of the Portuguese Tax Authority (“Autoridade Tributária”) as a guarantee for the ongoing income tax claims (Note 20).

As of 31 December 2016, Cofina Media group companies had assumed responsibilities for guarantees granted amounting to 309,000 Euro in relation to (i) advertising contests (95,000 Euro), (ii) commercial locations renting (21,000 Euro) and to ongoing tax processes (193,000 Euro).

Additionally, as of 31 December 2016, the Company had also given promissory notes to guarantee credit facilities amounting to 66,500,000 Euro, in association with other companies that belong to the Group.

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30. EARNINGS PER SHARE

Earnings per share for the years ended as of 31 December 2016 and 2015 were calculated as follows:

| | <u>31.12.2016</u> | <u>31.12.2015</u> |
|--|-------------------|-------------------|
| Net profit considered for the computation of basic and diluted earning | 4,333,011 | 5,061,226 |
| Weighted average number of shares used to compute the basic earnings per share | 102,565,836 | 102,565,836 |
| Earnings per share: | | |
| Basic | 0.04 | 0.05 |
| Diluted | 0.04 | 0.05 |

31. DIVIDENDS

In the year 2016 the Company distributed dividends amounting to 1,538,487 Euro relating to the year ended as of 31 December 2015.

32. SEGMENT INFORMATION

The net operating income, indicating those related to transactions with other segments and those resulting from transactions with external entities may be presented as follows:

| 31.12.2016 | <u>Newspapers</u> | <u>Magazines</u> | <u>Total</u> |
|---|-------------------|------------------|--------------|
| Net operating income | | | |
| Resulting from operations with external customers | 82,354,757 | 17,570,807 | 99,925,564 |
| Resulting from operations with other segments | 3,760,292 | (3,760,292) | - |
| 31.12.2015 | <u>Newspapers</u> | <u>Magazines</u> | <u>Total</u> |
| Net operating income | | | |
| Resulting from operations with external customers | 81,345,000 | 19,330,661 | 100,675,661 |
| Resulting from operations with other segments | 3,819,086 | (3,819,086) | - |

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The amounts related to operating cash-flow, amortization and depreciation and income before taxes and interests by segment, may be presented as follows:

| | Newspapers | Magazines | Consolidation adjustments and eliminations | Total |
|------------------------------------|------------|-----------|--|------------|
| 31.12.2016 | | | | |
| Operating Cash-flow - EBITDA (a) | 14,080,045 | (567,571) | - | 13,512,474 |
| Amortisation and depreciation | 2,214,577 | - | - | 2,214,577 |
| Earnings before interest and taxes | 11,865,468 | (567,571) | - | 11,297,897 |
| | | | | |
| | Newspapers | Magazines | Consolidation adjustments and eliminations | Total |
| 31.12.2015 | | | | |
| Operating Cash-flow - EBITDA (a) | 15,273,829 | (234,073) | - | 15,039,756 |
| Amortisation and depreciation | 2,861,658 | 30,492 | - | 2,892,150 |
| Earnings before interest and taxes | 12,412,171 | (264,565) | - | 12,147,606 |

(a) Earnings before interest, taxes, depreciation and amortisation

33. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors and authorized for issuance on 23 March 2017. Its final approval is dependent on the agreement of the General Shareholders' Meeting.

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34. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS) as adopted by the European Union, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Chartered Accountant

The Board of Directors

Paulo Jorge dos Santos Fernandes

João Manuel Matos Borges de Oliveira

Domingos José Vieira de Matos

Pedro Miguel Matos Borges de Oliveira

Ana Rebelo de Carvalho Menéres de Mendonça

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

December 31, 2016



STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Translation of a Report and Opinion originally issued in Portuguese.)

In case of discrepancy the Portuguese version prevails)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of Cofina S.G.P.S., S.A. ("the Entity") and of its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as of 31 December 2016 (that presents a total of Euro 121,708,916 and Euro 160,670,383, respectively, and a total consolidated and separate equity of Euro 26,000,656 and Euro 86,346,371, respectively, including a net consolidated profit of Euro 4,333,011 and a net separate profit of Euro 1,320,921), the consolidated and separate statement of profit and loss by natures, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the accompanying notes to the consolidated and separate financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present true and fairly, in all material respects, the consolidated and separate financial position of Cofina S.G.P.S. as of 31 December 2016 and of its financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|--|
| Impairment of Goodwill (Notes 6 and 20 of the notes to the consolidated financial statements) | |
| As of 31 December 2016, the carrying amount of Goodwill amounted to Euro 84,777,180 (representing 70% of the total consolidated assets), part of which is allocated to cash generating units ("CGU's") that have been presenting, in recent years, reduced performance and profitability levels and below the forecasted figures, mainly in the CGU | Our audit procedures in this area included the evaluation of the design and implementation of the relevant control procedures related with the evaluation of the recoverability of Goodwill and the CGU's with Goodwill allocated. Additionally, in relation to the calculation of the recoverable |

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|--|
| <p>"Magazines" (Goodwill of Euro 1,901,264) and the CGU "Newspapers – Brazil" (without Goodwill allocated after the recognition of impairment losses during the year ended as of 31 December 2016).</p> <p>The Group recognizes impairment losses when the recoverable amount of Goodwill is lower than its carrying amount (Note 6).</p> <p>The impairment analysis performed by the Group incorporates complex judgments, materialized in management business plans', which have, on its basis, several assumptions, namely associated with discount rates, prospective margins, short and long term growth rates, investment plans, trends and behaviours in relation to demand, which are performed simultaneously with a deviation analysis between business plans and budgets performed in previous years and its real performance.</p> <p>As a result of this analysis process, the Group recorded impairment losses during the year ended as of 31 December 2016 in the amount of: (i) Euro 2,456,342 regarding the Goodwill allocated to the CGU "Magazines" and Euro 1,955,762 regarding the Goodwill allocated to the CGU "Newspapers – Brazil" in its consolidated financial statements (Notes 6 and 20 of the notes to the consolidated financial statements).</p> <p>Due to the above mentioned factors, we understand that this area is subject to significant risks of material distortion, thus representing a key audit matter.</p> | <p>amount used by the Group in the impairment assessment process, our procedures involved:</p> <ul style="list-style-type: none"> • review of the criteria used by the Group to determine cash generating units; • obtaining the valuation models used to determine the recoverable amount of each cash generating unit and test the clerical accuracy of those models; • review of the methodology used by the Group to determine the value in use, in particular against the requirements of IAS 36 - Impairment of assets; • Challenging the assumptions used in the valuation models, namely discount rates, short term and long term growth rates used, projected cash flows (including investments), and the projected business margins ; • The involvement, whenever deemed necessary, of internal Deloitte specialists, to critically challenge some of the above mentioned assumptions; • The analysis of the reasonableness of future cash flows through comparison with historical financial information and future perspectives; • The holding of discussions with the Group's management; • Obtaining and analysing the results of the sensitivity analysis prepared by management in relation to the robustness of the assumptions and forecasts used; • We also evaluate the adequacy of the disclosures made in the consolidated and separate financial statements. |
| <p>Tax contingencies</p> | |
| <p>(Note 20 of the notes to the consolidated financial statements)</p> | |
| <p>As of 31 December 2016, the Group has two uncertain tax positions related with Corporate Income Tax ("IRC") in Portugal, which are under analysis by the competent tax courts; the amount involved in such tax litigation is materially relevant in relation to the Group financial statements. In relation to these tax litigations, provisions in the consolidated financial statements in the amount of, approximately, Euro 3,000,000 were recorded as of 31 December 2016 and guarantees were also provided to the Tax Authorities.</p> | <p>Our audit procedures, in relation with the uncertain tax positions as well as to the associated provisions were as follows:</p> <ul style="list-style-type: none"> • we obtained from the tax department of the Group, an update of the relevant current tax disputes; • For the tax proceedings referred above, we reviewed the correspondence with the tax authorities, reviewed the tax claims and appeals made by the Group, given the fact that |

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|--|--|
| <p>The classification of the uncertain tax positions as contingent liabilities or provisions, and its respective measurement in accordance with IAS 12 – Income tax, are judgmental matters, that involve a high degree of uncertainty, by which a risk of an adequate classification exists, as well as of an incorrect estimation, thus resulting in provisions recorded that could contain material errors.</p> <p>Due to the above mentioned factors, we understand that this area is subject to significant risks of material distortion, thus representing a key audit matter.</p> | <p>these litigations are under appreciation by the competent courts;</p> <ul style="list-style-type: none"> • We discussed with the Group's management and we obtained information from the external experts engaged by the Group regarding the assumptions and arguments that support the position assumed before the said litigation, challenging them; • For the aforementioned cases, we corroborated the assumptions made by the Group in the classification and, if applicable, in the determination of the value of the provisions, for the evidence and correspondence existing related to these matters; • During this process, we used the analysis of our own specialists on tax matters; • We also evaluated the adequacy of the disclosures in the financial statements in accordance with applicable accounting standards. |
| <p>Impairment of financial investments in subsidiaries</p> | |
| <p>(Notes 6 and 18 of the notes to the separated financial statements)</p> | |
| <p>As of 31 December 2016, the Entity held a financial investment in the subsidiary Cofina Media, S.A., measured at cost deducted from impairment losses, in the amount of Euros 157,802,463 (representing 98% of the total individual assets). The Group recognizes impairment losses when the recoverable amount of the financial investment is lower than its carrying amount.</p> <p>The impairment analysis performed by the Entity incorporates complex judgments, materialized in management business plans', which have, on its basis, several assumptions, namely associated with discount rates, prospective margins, short and long term growth rates, investment plans, trends and behaviours in relation to demand, which are performed simultaneously with a deviation analysis between business plans and budgets performed in previous years and its real performance.</p> <p>As a result of this analysis process, the Entity recorded an impairment loss during the year ended as of 31 December 2016 in the amount of Euro 5,000,000 regarding the financial stake held in the subsidiary Cofina Media, S.A..</p> | <p>Our audit procedures in this area included the evaluation of the design and implementation of the relevant control procedures related with the assessment of the recoverability of the financial investment held in the subsidiary. Additionally, in relation to the calculation of the recoverable amount used by the Entity in the impairment assessment process, our procedures involved:</p> <ul style="list-style-type: none"> • obtaining the valuation model used to determine the recoverable amount of the financial investment in the subsidiary and test the clerical accuracy of such model; • review of the methodology used by the Entity to determine the value in use, in particular against the requirements of IAS 36 - Impairment of assets; • Challenging the assumptions used in the valuation model, namely discount rates, short term and long term growth rates used, projected cash flows (including investments), and the projected business margins ; • The involvement, whenever deemed necessary, of internal Deloitte specialists, to |

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|--|
| <p>Due to the above mentioned factors, we understand that this area is subject to significant risks of material distortion, thus representing a key audit matter.</p> | <p>critically challenge some of the above mentioned assumptions;</p> <ul style="list-style-type: none"> • The analysis of the reasonableness of future cash flows through comparison with historical financial information and future perspectives; • The holding of discussions with the Entity's management; • Obtaining and analysing the results of the sensitivity analysis prepared by management to the robustness of the assumptions and forecasts used; • We also evaluate the adequacy of the disclosures made in the separate financial statements. |

Responsibilities of Management and Supervisor Body for the consolidated and separate financial statements

Management is responsible for:

- the preparation of consolidated and separate financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Entity and the Group in accordance with IFRS as adopted by the European Union;
- the preparation of a management report, including a corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Entity's and Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated and separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's and Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- we provide the Supervisory Body with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated and separate financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable laws and regulations and the information included therein is in agreement with the audited consolidated and separate financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

About the corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code (“Código das Sociedades Comerciais”), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code (“Código dos Valores Mobiliários”), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

- We have been appointed auditors of Cofina S.G.P.S., S.A. for the first time in the shareholders’ general meeting that took place in 2002 for a mandate covering the period between 2002 and 2004 which was successively renewed. We have been appointed in the shareholders’ general meeting that took place in 24 April 2014 for the present mandate covering the period between 2014 and 2016.
- The Supervisory Body confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated and separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated and separate financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group’s Supervisory Body as at 31 March 2017.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Porto, 31 March 2017

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

December 31, 2016



Report and Opinion of the Statutory Audit Board
(Translation of a Report and Opinion originally issued in Portuguese.
In case of discrepancy the Portuguese version prevails)

To the Shareholders
Of Cofina, SGPS, S.A.

In compliance with the applicable legislation and our mandate, we hereby submit our Report and Opinion, which covers the Board of Director's Report and the individual and consolidated Financial Statements of Cofina, SGPS, S.A. ("Company") for the year ended 31 December 2016, which are the responsibility of the Company's Board of Directors.

1. Report over the developed activity

During the year under analysis, the Statutory Audit Board accompanied the operations of the Company and its affiliates, the timely writing up of accounting records, compliance with statutory and legal requirements and the effectiveness of the risk management and internal control systems, having held meetings with the periodicity and length considered appropriate and having always obtained, from the Board of Directors and personnel of the Company and its affiliates, all the information and explanations required.

As part of its duties, the Statutory Audit Board examined the separate and consolidated statement of financial position as of 31 December 2016, the separate and consolidated statements of profit and loss, comprehensive income, changes in shareholders' funds and cash flows for the year then ended, and the corresponding notes.

In the exercise of its competences, the Statutory Audit Board held, regularly, meetings with Statutory and External Auditor's representatives in order to monitor the audit work carried out and take note of its conclusions, in addition to assessing its independence. In this area, the Statutory Audit Board analysed the proposals that were presented to it for non-audit services by the Statutory and External Auditor, having approved those that respected permitted services, did not affect the independence of the Statutory and External Auditor and fulfil the other legal requirements.

The Statutory Audit Board reviewed the statutory audit certification and audit report regarding the separate and consolidated information of year 2016, which comprises the consolidated and separate statement of financial position for the year ended as of December 31, 2016, the consolidated and separate statements of profit and loss, comprehensive income, changes in shareholders' funds and cash flows for the year then ended, and the corresponding notes, document which does not present any qualification.

The Statutory Audit Board reviewed also the Corporate Governance Report, having verified that it includes all the elements referred to in article 245º-A of the Portuguese Securities Market Code.

Finally, the Statutory Audit Board also analysed the Additional Report to the Statutory Audit Board and other documentation issued by the representative of Deloitte & Associados, SROC S.A., Statutory and External Auditor of the Company.

2 – Declaration of Responsibility

Within the scope of the powers of its competences, the Statutory Audit Board declares that, to their knowledge and conviction, the information contained in the separate and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Cofina, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Cofina, S.G.P.S., S.A. and of the companies

included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245º A of the Portuguese Securities Market Code.

3 – Opinion

Accordingly, taking into account the diligences, opinions and information received from the Board of Directors, the Entity's services and the Statutory and External Auditor, the Statutory Audit Board is of the opinion that:

- a) Nothing prevents the approval of the separate and consolidated Director's Report for the year 2016,
- b) Nothing prevents the approval of the separate and consolidated Financial Statements for the year 2016;
- c) Nothing prevents the approval of the proposal for the net profit appropriation presented by the Board of Directors, which is duly substantiated.

We wish to express our appreciation to the Board of Directors and to the various services of the Entity and of its subsidiaries for their collaboration.

Porto, March 31, 2017

The Statutory Audit Board

Pedro Pessanha
Statutory Audit Board President

André Pinto
Statutory Audit Board Member

José Guilherme Silva
Statutory Audit Board Member



COFINA, SGPS, S.A.
Rua do General Norton de Matos, 68 - R/C
4050 – 424 Porto PORTUGAL
Tel: + 351 22 834 65 00

www.cofina.pt
